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CHILD CARE WELFARE PROGRAMS AND TAX CREDIT PROPOSALS

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

S. 55, S. 159, S. 187, S. 364,
S. 392 S. 409, S. 412, S. 569,
S. 601, AND S. 692

APRIL 18 AND 19, 1989

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CHILD CARE WELFARE PROGRAMS AND TAX CREDIT PROPOSALS

TUESDAY, APRIL 18, 1989

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met at 10:00 in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Moynihan, Bradley, Rockefeller, Packwood, Roth, Chafee, Heinz, and Durenberger.

[The press release announcing the hearing follows:]

[Press Release No. H-13, March 28, 1989]

SENATOR BENTSEN ANNOUNCES HEARINGS ON CHILD CARE WELFARE PROGRAMS AND TAX CREDIT PROPOSALS

WASHINGTON, DC—Senator Lloyd Bentsen (D., Texas), Chairman, announced today that the Finance Committee will hold two hearings to review and evaluate the numerous child care proposals under the Committee's jurisdiction.

The hearings will be held on *Tuesday, April 18 and Wednesday, April 19, 1989 at 10:00 a.m.* in Room SD-215 of the Dirksen Senate Office Building.

Senator Bentsen said, "There is widespread interest in the many child care bills that are now pending before the Committee on Finance. The hearings that are being announced today will help the Committee evaluate the effectiveness of these proposals in meeting the Nation's needs for child care services."

This year, legislation under the jurisdiction of the Committee on Finance will account for nearly $5.0 billion of the Nation's spending on child care. This includes child care provided under the Title XX social services and child welfare programs, child care for welfare recipients who are employed or receiving training, and care that is financed indirectly under two provisions of the Internal Revenue Code: the dependent care credit and the exclusion for employer-provided dependent care.

OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE FINANCE COMMITTEE

The CHAIRMAN. This hearing will come to order. This is the first of two hearings by the Committee on Finance on the important issue of child care. Today we're going to hear from witnesses representing a wide range of opinion on what should be done. We have some 11 child care bills that have already been referred to this committee.

Today we have more than 11 million preschool children whose mothers are in the labor force, and if predictions are correct, there may be nearly 15 million young children with mothers in the labor force by 1995. Nearly half of these children are cared for by a member of the family. But millions of them are being cared for in either a child care center or family day care home, and the quality of care, the availability of that care, and the cost of that care are of deep concern to the American people.

It is the obligation of this committee to try to see what we can do in the way of getting the most for the taxpayers' money and the highest quality of day care that we can match with it. Legislation under the jurisdiction of this committee is the source of funding for most of the child care paid for by the Federal Government, approaching some $5 billion a year. That includes the Title XX social services block grant, education and training under the welfare program, the child welfare services program, and two provisions of the Internal Revenue Code, one the dependent care credit and one an exclusion for employers who provide child care services.

We have some very serious budget constraints as we try to meet the child care problem, so whatever we do will have to meet the strictest test of need.

Members of this committee are looking for guidance, counsel, and understanding of the greatest child care needs and, in turn, how Congress can meet those needs; how parents and children can get the maximum benefits for the taxpayers' money spent.

We see that the cost of child care goes all the way from $3,000 to $5,000 a year; that for people of low income it can amount to as much as 25 percent of their income and, for people of higher income, as little as 5 percent. So the job that we have on our hands is obvious, and I frankly think that most of the focus at this point, with the budget constraints we have, has to be on lower income families.

[The prepared statement of Senator Bentsen appears in the appendix.]

We have a number of distinguished members who are going to be before us to testify on this subject. We have the good fortune of having as our first witness the senior Senator from Connecticut, who has long concerned himself with child care issues and problems. If we can call on a resident expert, I think we have one before us. Senator Dodd, we are very pleased to have you, but I would like to defer first to the ranking minority member, Senator Packwood, for any comments he might have.

OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON

Senator PACKWOOD. Mr. Chairman, we do have a number of witnesses before us. I see Senator Dodd in the witness chair. I see Senator Wilson in the audience. And we have, I think, 10 or 11 bills referred to this committee of one form or another. Senator Dodd has had one in the Labor Committee and it is reported out.

Of all of the bills that we consider, I think there are four principal questions we ought to ask.

1. Do we or do we not want mandated standard Federal standards? That is a legitimate question. There's an honest, philosophical difference of opinion on both sides. It ought to be fully debated.

2. Do we want to use the route of principally appropriated money? We will collect it, bring it here, pass it out to government agencies and they, in one way or another, will hopefully get it to parents. Or do we want to use a tax credit approach? Which is the

better way to get the most money to the group that you want to help?

3. What do you do about religious day care centers? And by this I do not mean a secular organization that rents the basement of the Baptist Church. I mean genuine religious day care centers whose intent is to teach the Torah or the New Testament. Any day care bill that cannot constitutionally get money to those day care centers that are honestly, deliberately and intentionally religious, I think has a major failing, and we ought to consider that issue.

4. What do we do about those who stay home versus those who are in the work force? Do you limit day care money to those in the work force? Or do you say, no, it will apply also to those who choose to stay home.

Again, there is an honest difference of opinion, philosophical difference of opinion, but I think those are the four major issues. I very honestly believe that the bill cosponsored by Senator Moynihan and myself and six other members of the Finance Committee best meets those four standards: namely, we do not mandate Federal standards; two, we use the tax credit approach, which I think is a better approach; three, the tax credit approach constitutionally enables us to get money to religious day care centers; four, it limits the payments to those who are in the work force.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Moynihan, for any comments you may have.

Senator MOYNIHAN. Yes, Mr. Chairman. As your ranking member here and faithful assistant, I would like to report that the air-conditioning is off, but will be on in about 15 minutes, and to welcome Ms. Maroney from Delaware who is here to testify.

The CHAIRMAN. Well, things may warm up anyway.

Senator Dodd, we are very pleased to have you. I have a hunch we're going to have a vote before very long, so we will try to move along.

STATEMENT OF HON. CHRISTOPHER J. DODD, A U.S. SENATOR FROM CONNECTICUT

Senator DODD. Thank you, Mr. Chairman. I'll try and move this along. I know you've got a full agenda in front of you.

First of all, let me tell you what an honor it is to appear before this committee, and you are very gracious in mentioning me as being a resident expert. But with all due respect, I think the gentlemen sitting on both your right and left certainly qualify as experts as well, with years of involvement in this subject matter.

I am a relative newcomer to the issue. I enjoy it. I think it's an important issue, but I stand to learn a great deal from Senator Moynihan and his involvement. Senator Packwood is the principal cosponsor of my Family Leave bill. So while we have some disagreements on this particular question, we have the same commitment in terms of our common desire to serve children in working families. And I am delighted and honored to be before the committee this morning to express some views in that regard.

So I thank you for giving me the opportunity to testify 8 on one of the most critical issues facing the 101st Congress and the American people: child care. As the chief sponsor of the Act for Better Child Care, I deeply appreciate all of the support and advice which you and nine members of the Finance Committee have provided as cosponsors of the Act for Better Child Care, in developing that legislation.

The child care debate. It's a debate about priorities, a question of our goals and responsibilities to the American people. We all recognize the productive and meaningful role of parents who stay home with their children. That's what the Family Leave legislation which Senator Packwood and I have sponsored is all about. But many of us also agree that our first responsibility, the first place for new Federal child care dollars, is with needy parents who simply must work and cannot afford to stay at home under normal circumstances. And, as you have pointed out, that is a growing population in our country.

To be very honest with you, Mr. Chairman, a tax credit alone in my view is not national child care legislation. I think it can be a part of a package. But to really make a difference, to see that new Federal dollars first help families which need child care for their economic survival, we need comprehensive legislation which deals not only with the political problems that any piece of legislation may attract, but also with the three underlying basic substantive problems that families meet in facing the child care crisis.

Those three areas are cost, the availability of child care even if they can find it, and the quality of that child care.

We believe that the Act for Better Child Care addresses these three problems in a comprehensive way. It creates not a Federal child care system, but a national partnership built on existing programs and fueled by the power of parental choice. ABC is not a Federal solution, but a set of national guidelines and incentives. It's not a complete answer but a sound beginning.

I would like to refer if I could to three or four charts that I have here today. You may have seen some of these already because they come from the most recent survey done by Lou Harris on the issue of child care.

As a detailed Harris poll revealed last week, fewer than half of the parents of young children surveyed are satisfied with those three pillars of child care: cost, availability, and quality. Only 8 percent thought our country's system of child care was working very well. The Harris poll also exploded the myth that many American families, especially poor ones, rely exclusively on in-home relative care with minimal out-of-pocket expenses. Instead, the average parent uses two or three support services during working hours, usually a mix of parental and out-of-home care.

This brings me to the second chart. Can most parents find relatives or friends who will care for their children? This chart indicated that almost 70 percent of American parents would answer this question "No." So the notion that somehow Grandma or Grandpop or aunt or uncle are around there to take care of the children is exploded by the actual responses of families in terms of who's there to care for these children.

Referring to a third chart, Mr. Chairman, on cost, the numbers are alarming. Even when parents with no child care expenses are averaged in, the mean annual amount paid by parents for child care is $2,280 a year. What is worse, Mr. Chairman, the lower a family's annual income, the more money that family is likely to pay for child care services. The categories of families most likely to be poor and most dependent on their child care arrangements—blacks, Hispanics, single mothers, and those in large cities—not only pay well above the national average, but more than those earning $35,000 to $50,000 per year.

Those numbers are hard to read from there, Mr. Chairman, but you can see that families with incomes between $35,000 and $50,000 pay $2,088. And you can see blacks pay $3,196. Separated parents, $2,976. Big-city residents, $2,700. Single mothers, $2,532. So, while you would think that demand or cost or incomes might have some relationship to the cost of child care and it just doesn't.

I have two conclusions from this. First, the cost and supply problems are so bad that there is virtually no relationship between what people pay for child care and their ability to pay. Poor parents must pay ridiculously high portions of their income simply to find some form of care for their children.

Second, this parental scramble for care means little chance to exercise choice in the marketplace, further diminishing the very low incentives society gives day care providers to provide quality services.

This brings me to the third issue, Mr. Chairman, an extremely important one. And that is the quality of the services we provide. Like motherhood and apple pie, quality is something everyone is for. But, like motherhood and apple pie, there is much disagreement about what goes into it. Some believe the most important factors are parental choice and involvement. I count myself in that camp.

This brings me to the fourth chart, Mr. Chairman, which illustrates that to provide real parental choice, real involvement, we must do more than throw families a few hundred dollars in tax credits each year and let them fend for themselves. This is not like buying a toaster. Parents are very, very confused about what is out there in the marketplace. They are frustrated by a system which demand has little relationship to quality or supply.

Parental choice means more than giving families a few dollars each month. It means helping to increase the supply and the variety of local child care services for parents to choose from. Parental choice means minimum health and safety standards to help parents measure and improve program quality. Parental choice means better resource and referral networks to educate families about their child care options. Parental choice means parents working in the trenches, helping to set child care policies at the national, State, local and program levels.

We believe that ABC would help to ensure all of these forms of parental choice. It's too much to ask a parent to know whether or not the plumbing or the electricity works, or what potential criminal backgrounds of people who work in child care centers. It is totally unrealistic to assume that average people can make those kinds of checks, even though they express great concern about the quality of service. To expect them to ferret out all of the information necessary to make an intelligent choice about those centers or those providers, whether they be in a neighborhood or wherever, may be asking too much.

ABC, establishes minimum health and safety standards for publicly funded child care programs to help parents make these intelligent choices.

This brings me to the fifth chart. This chart shows how important the quality issue is to the American people. Public opinion polls consistently show, including the recent Harris survey, that the American public overwhelmingly supports these standards. Again the problem is one of rhetoric. Political opponents of ABC have seized on the standards issue to raise the specter of a Federal bureaucratic bogeyman which simply doesn't exist. In the Harris survey, support for minimum standards hovers near 80 percent. In a survey done by Martilla and Kiley back in 1988, almost 90 percent of the American population support minimum Federal standards.

In fact, I would argue that quality is the most important issue to families. Cost makes it difficult for them to afford child care. But if they had to say to us as Members of Congress "choose one of those three—availability, cost or quality," I think most people would say, give me something that I have confidence in.

When I invited the U.S. Army and the large national insurance companies to testify on standards before my subcommittee in January, they wondered what all the fuss was about. Why? Well, the insurance industry doesn't even assign a policy, which is a major cost in child care, unless the center or family provider meets appropriate standards. They told us that minimum Federal standards would increase access to affordable liability insurance, especially for family providers, and thus lower child care costs and increase supply.

The Army set up tough standards years ago because it makes good business sense. The Army knows that parents make better soldiers if they have safe and reliable child care available to their children. The Army also knows that its single most likely source of future recruits are the children of people who are in the Army today. It's simple: Better child care now means better recruits 15 years from now.

There is a lesson here for the rest of us. By the way, the U.S. Army serves 150,000 children a day with a very comprehensive child care program including high standards. So there is a tremendous example for many years now of the Army providing the kind of service envisioned in the ABC legislation. This is a simple question, it seems to me, a matter of consistency and accountability.

The Federal Government regulates the food that children eat, the prescription drugs that children take, the seatbelts for children in automobiles, the clothes our children wear, the very toys that they play with. We set standards. This committee has adopted Federal nursing home standards to protect the elderly, the other vulnerable age group we are charged to protect.

All we are trying to do in the Act for Better Child Care, Mr. Chairman, is establish a floor of safety protection for all children, regardless of where they live or how much their parents make.

Mr. Chairman, let me turn to the tax side of the debate very quickly, the subject of your hearings this week. I am not against the tax credit approach. I don't philosophically oppose that at all. What I do oppose is the rhetoric which pretends it's an answer to America's child care crisis. A tax credit would help to supplement the incomes of poor families with young children. That is very important, but that is all it really does.

Several tax proposals now before the Congress, including the Children's Tax Credit proposed by President Bush, do not even require that the funds be used for child care expenses. Recipient families may use the money for household items and other expenses totally unrelated to the costs of caring for children. None of the credits help to increase the supply or quality of child care, critical issues as we implement the Welfare Reform legislation authored by my friend from New York, Senator Moynihan, and adopted last year by this committee. A tax credit may very well complement the Act for Better Child Care Partnership Plan. It is—with all due respect to the authors—not a substitute but a complement.

Where tax credits can be effective is in helping families afford child care services where they are already available. But even here the effect would be limited. The most generous credit on paper, the Bush plan to provide a credit to poor families for children three and under, would be available to fewer than 2 percent of American families. Families with an income of $12,088 a year, the Federal poverty line, would receive less than $200 per child next year under the President's child care tax credit. This is hardly enough to change a parent's work status, and not enough to make a real dent in the family's child care costs.

Proposals to make the existing credit refundable would provide more assistance to the same family, but in order to be eligible for that credit, the family must have spent up to $4,800 or more on child care during the previous year, almost 40 percent of the family's total income. These expenses would remain out of pocket for up to a year or more before the credit funds are recouped the following April 15.

The Act for Better Child Care, in contrast to both approaches, would provide poor families with funds up to 100 percent of the cost of care, right away when they need it to pay their bills.

I sound one last note of caution on the tax credit approach. It's about the Federal deficit, something we are all sensitive to here. Again, regardless of how much one may support that particular approach, once a tax credit is enacted into law, it becomes an immediate negative entitlement which we cannot control. We would automatically be spending billions of Federal dollars each year, with no opportunity to posit the relative need for the credit against spending priorities in other areas.

The Act for Better Child Care, conversely, permits Congress to put a national partnership plan in place and then determine appropriate funding levels each year based on competing priorities.

Mr. Chairman, to me the child care debate really is a simple question of priorities. It's a question of what national child care legislation really means to the American people. If this debate really is about child care, then it's about helping working parents find safe and affordable child care when they simply can't afford to stay home.

If the debate really is about child care, then we have the Act for Better Child Care with 42 cosponsors, a bill which was just reported by the Labor Committee with strong bipartisan support. We are actively discussing the bill with the Nation's Governors and potential cosponsors in the Senate in hopes of broadening what is already an amazing coalition of support for this legislation.

Our goal is and has always been a balance, a balance between the comprehensive approach required for a national partnership plan and the simplicity and ease of administration which Members of Congress want and States and localities need. We think we can have both. We can hold firm to our principles on quality and also offer to the Congress and to State and local officials an attractive, common-sense legislative product.

I believe most ABC supporters are also ready to consider a tax credit as a complement—I repeat, a complement—to our comprehensive child care bill. In practical terms, this could be accomplished through a packaging of the two bills into a single legislative initiative or through separate legislative actions on the two proposals.

We look to you, Mr. Chairman, and the Members of the Finance Committee, for direction on the content and timing of any tax credit initiative. And should the Senate consider ABC alone in a more expeditious fashion, we will continue to work for a supplementary income credit which Congress could consider later in the context of a subsequent tax or budget debate.

Mr. Chairman, I apologize for the length of my statement, but as you pointed out at the opening, I have worked for about 2½ or 3 years on this bill. A lot of time and effort has gone into it. I've devoted all this time to try and do something about an issue that is demanding our attention, and I thank you for listening.

[The prepared statement of Senator Christopher J. Dodd appears in the appendix.]

The CHAIRMAN. Gentlemen, I understand we have a vote at 10:30. We have a total of five Senators seeking to testify, and we have, I think, four panels of very distinguished witnesses that we want to try to listen to this morning.

May I ask you, just for the sake of brevity, one question. In this day of budget constraint, what would your program cost as you see it fully implemented?

Senator DODD. The program has a $2.5 billion price tag. Of course, it's an authorization, and we understand that these things take time to get underway. We believe that the Budget Resolution will allocate something in the neighborhood of $500 million to $700 million in the first year for child care.

There is more to this than the Federal appropriation. I would suggest that with this approach, we are apt to see various things happen with non-Federal dollars. One of the features of ABC which I didn't go into is a strong provision to encourage public/private partnerships in child care. We think we are going to see more of that activity.

As we do, it is not inconceivable that the need for the Federal government to continue a heavy appropriation could diminish. With the tax credit, with all due respect, once you put that proposal in place it is impossible to take it away or scale it back.

Our proposal allows for flexibility. We are going to have to meet a budget deficit target of $64 billion next year. It is $99 or $100 billion right now under this budget proposal. That means we are going to have to find another $30 billion.

Mr. Chairman, I would love to tell you that all of my colleagues are going to stand up next year and say, we don't care what that deficit is; by God, child care is going to be fully funded. I know we are going to have to strike some balances in all of this. Our proposal allows for that flexibility. And I would cite that, as I tried to briefly, as one of the advantages of this particular approach.

The CHAIRMAN. Thank you, Senator.

Let me state that the order of arrival was Senator Packwood, Senator Moynihan, Senator Durenberger, Senator Heinz, Senator Bradley.

Are there those who wish to question the witness?

Senator PACKWOOD. I have two quick questions.

One, Lou Harris came in and briefed me also. In his poll, as I recall when those being polled were asked, do you prefer tax credits versus appropriations, they preferred tax credits.

Senator DODD. I would say to you, I saw that statistic as well. I think people get somewhat confused about what government is going to do in these areas. He described the appropriation as the Democratic proposal.

The numbers were like 76 percent in favor of a tax credit and 72 percent in favor of the Democratic proposal. I suspect, since they were not questions that were necessarily posited, "Choose one of the two," that roughly the same people were saying they'll take both.

They don't really care whether or not they get a tax credit or an appropriation. They need help. And I think we get caught sometimes in the machinations of which program works better. But the American public needs some help on this issue, and whether you do it through a tax credit or a direct subsidy they don't really care except to the extent they need help.

Senator PACKWOOD. You kind of explain away poll answers the same way I do when I don't like the result: they didn't understand the question, and if it was just asked right they would understand it.

Second question. How do you get to the 7 or 8 percent genuine religious day care centers, money under an appropriated process? And I don't mean the 80-percent hiring threshold. I mean those who are teaching religion.

Senator DODD. We have worked out in this legislation a very good and excellent compromise which might serve, by the way as a model for future issues, as we provide services to people through an increasing number of church-based organizations. The major issue was the employment issue in this area, whether or not you could have discrimination in employment.

We have crafted in this ABC proposal a very delicate balance which would allow for families to take their certificates to religious institutions and be able to use those services, provided the church maintained the nonsectarian nature of the child care services at an otherwise sectarian institution.

I will tell you that this is a delicate issue, but we have reached an agreement with the Catholic Church, major religious organizations, the National Education Association, and others who have worked many, many hours to try and craft a proposal that would strike that balance. We effectively did so.

Senator Durenberger, who is a member of the Labor Committee, was there that day and we passed unanimously the amendment that I offered which incorporates this compromise. If religious providers were the only issue, then I suppose a tax credit is cleaner in that regard. But I would point out that there are other liabilities associated with the tax credit approach.

Senator PACKWOOD. In all respect, Chris, I've read and reread your bill. I think you cannot give money to the genuine religious day care centers. When they say we're going to hire Jews because this is a Jewish day care center; we're going to hire Seventh Day Adventists, this is a Seventh Day Adventist center; we're going to teach our kids about the Seventh Day Adventist Church; or we're going to teach them about the Jewish religion; I don't think you can give them any money.

Senator DODD. Well, I don't know. I think when you're dealing with the poorest families—and this bill is targeted to go to the poorest families in this country—some of the most successful Catholic Church child care providers enroll 60, 70, 80 percent non-Catholics in the inner city child care centers they operate. They are interested in taking care of children. They're not interested necessarily in proselytizing in child care. They understand the need for child care and they believe it's worthwhile to engage in that service without religious indoctrination.

So while there may be some who would be adversely affected by that, I think many of them do serve children regardless of religious affiliation.

Senator PACKWOOD. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Are there other questions?

Senator MOYNIHAN. Mr. Chairman, I don't want to press Senator Dodd who has been illuminating and compelling in his testimony. I want to thank him, but say just as Senator Packwood did, that there are those of us who continue to be very much concerned with this question of church-affiliated institutions.

I think it can be said that if we have a problem in this country it's child poverty. Children are the poorest group that we have in the population. And in the main, the only large institution many poor families will have any contact with is a church. They will have none other. Senator Packwood and I have shared this concern for more than a decade.

I want to thank you, Senator Dodd.

Senator DODD. I thank you, Senator Moynihan. I have no desire or interest to see church institutions excluded because I happen to believe they are a major source of quality child care in this country.

The CHAIRMAN. Senator Durenberger.

OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S. SENATOR FROM MAINE

Senator **Durenberger**. I want to thank you for this opportunity. But let me say for the record that I think it's been longer than 2½ years that Chris has been at this. I know he's been at me for that length of time, as he most of the people around this table. I'm glad we took the time at the beginning of this hearing to hear from my distinguished colleague from Connecticut. I'm also glad we're having this hearing in this committee because, for two of us on this committee, Senator Matsunaga and I, we sit astraddle the issue, in both Labor and Human Resources and here in the Finance Committee.

And it's a clear frustration. I regretted voting against the ABC Child Care bill as it was marked up by the Labor and Human Resources Committee, but at least in part, it was because I thought definitional questions such as are going to be propounded by you and by this committee needed to be asked so we knew what it is that we are talking about when we undertake this. But it meant in no way that I did not respect, as we all do, the incredible commitment that our colleague from Connecticut has made to this issue.

[The prepared statement of Senator Durenberger appears in the appendix.]

Senator **Dodd**. I thank you, Senator.

The **Chairman**. We have been at this issue a long time around here. I can recall voting for Senator Mondale's bill about—it must have been 15 years ago.

If there are not further questions, thank you very much.

Senator **Dodd**. Thank you very much, Mr. Chairman.

The **Chairman**. Our next witness, Senator Kennedy.

Senator **Kennedy**. Mr. Chairman, you have a member of the Budget Committee here. Senator Domenici indicated such an urgency, I would be glad to have him precede me.

The **Chairman**. Well, I understand they do have some things going on over there. Fine.

Senator Domenici. I'll be very brief.

The **Chairman**. Good. Delighted to have you.

STATEMENT OF HON. PETE V. DOMENICI, A U.S. SENATOR FROM NEW MEXICO

Senator **Domenici**. Let me thank you very much, and thank you, Senator Kennedy.

Mr. Chairman and members of the committee, I am really delighted to be here rather than in the Budget Committee. But I do feel that I don't need my seatbelt here, and I will buckle up over there and see what I can do.

I have some prepared remarks. I ask you to make them part of the record.

The **Chairman**. That will be done.

Senator **Domenici**. Mr. Chairman, I heard a little bit of the statement by Senator Dodd and I have the greatest respect for him. I would like to sound an alarm. I gathered he said that there are Governors in the United States that are being recruited to support the bill that came out of the Labor and Human Resources Committee.

One Senator, Senator Domenici, urges the Governors of this United States to be careful. If ever I saw a bill that is calculated to set national standards that they are going to live with in our sovereign States, for which there is no money to pay for the institutional day care that is going to be regulated, this is one.

We are either engaged in setting national standards for the sovereign States with a trivial amount of money. Anything from $500 to $700 million is a foot in the door for national standards that the Governors, cities, institutions across this land are going to live with, or I never saw one. If they come up here and complain that we set standards and don't tell them how to pay for it, I submit to this committee this is the biggest ever. I submit to you that there are not over 14 percent of children in this country in center-oriented institutional day care today.

Senator Packwood. Fourteen?

Senator Domenici. I'm going to modify and say 14 to 16, Senator Packwood. I will submit that all the rest are in their own homes, in relatives' homes, or in small religious-type day care centers.

Now, I ask you, what good is it for us to tout a national bill with national standards that are going to protect I don't against what. It seems to me that there is good care taking place in neighborhoods. There is excellent care taking place in homes. There is tremendous care being taken in religious institutions, and if there are accidents, there are going to be accidents anywhere.

I submit for those of you who are interested in how we are going to supply experts, proficient social workers in those day care centers, let me ask you to look at the United States today and ask yourself where are we getting social service type professionals for the ongoing activities of our country?

There was an hour program on last night saying that we don't have enough teachers. They can follow it with another program saying that we don't have enough rehabilitation people in this country. Where are we going to get the hundreds of thousands of professionals that are going to take care of children in this utterly safe institutional atmosphere? I submit to you it will not happen.

We will spend at least, in my humble opinion, $10 billion a year living up to even an implicit commitment to help the Governors of these United States live under a system of national standardized institutions. Five hundred million won't do a thing. Three billion will hardly touch it. Five billion will only make a dent. As a matter of fact, that 14 to 16 percent I cited to you will probably go no higher than 20 percent if you funded the full $5 billion. It may go to 25.

I ask what about all the rest? What about all the rest? Are they getting terrible care today? I don't think so. I submit that there is a bill before you—and I won't go into detail—that Senator Durenberger has cosponsored. It is different from Senator Packwood's bill in two respects. First of all, we do not discriminate between working parents and nonworking parents. We submit that we should raise the level of money that we leave in the hands of mothers and fathers, parents; we should raise the level of money we put in their hands, or leave in their hands, under our tax code through refundable tax credits so that they can make the decision, number one, where to put their children, if they want to. If they'd like to keep their child with Grandma, I don't know why they ought to be punished. If they have a good aunt that's taking care of their children, I don't know why we ought to say no.

If one of the two chooses not to work, I don't understand why we ought not encourage that by giving them the kind of family allowance for raising young children that used to be there when the tax code was family-oriented, Mr. Chairman.

In my testimony, I trace the reduction in the tax credits of this country or the allowable for the raising of children, and it is a skeleton of what it was. It is somewhere around 18 percent of what it was some 20 years ago in real dollars. That is, when my mother and father raised me, they were given a rather substantial allowance for raising children. That's almost gone.

We can use this bill as a signal to this country that we favor families and the raising of children by giving refundable tax credits whether both parents work or don't work, so long as one parent is working. You can trace my refundable credit and see where it goes.

The other distinction, I submit to you, is formidable. I used to think there was a little bit of distinction between your bill, Senator Packwood, and mine which Senator Durenberger is on. But there is another difference besides that one. You use the existing tax credit as the basis for refundability. I submit to you that that will not help the poor people as much as you think, because essentially they must buy the expensive type day care to get the maximum credit. And I submit to you, the reason that won't work is the very chart that says they can't afford it now.

The reason we only have 16 percent in institutions is because it is not affordable. They are finding family, church, relative, neighborhood-oriented type institutions now. We ought to give them the money, refundable credits and tax credits, and let them make the decision. It will make a far more significant dent in needed child care than the ABC bill.

I submit to you that the same argument about the growing tax credit must be applied to the ABC bill or you are hiding your heads. Do you really intend to tell the States, here are your standards; we're only going to give you a little bit of money and when we have more, we will give you more? I don't believe that. I believe the pressure will be on and why not use the tax credit pressure rather than the straight appropriation which I know you either get almost nothing up front, or national standards that I believe are not going to help the majority of children in this country.

Thank you very much.

[The prepared statement of Senator Domenici appears in the appendix.]

The CHAIRMAN. Thank you, Senator.

Are there questions? If not, thank you very much, Senator. we are pleased to have you.

Senator DOMENICI. Thank you, Mr. Chairman.

Senator PACKWOOD. Can I ask unanimous consent that a statement of Senator Heinz be placed in the record?

The CHAIRMAN. Yes, of course. That will be done.

[The prepared statement of Senator Heinz appears in the appendix.]

The **Chairman**. Senator Kennedy.

STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM MASSACHUSETTS

Senator **Kennedy**. I'm not sure I should have yielded to Senator Domenici after hearing that. [Laughter.]

I am very much aware, Mr. Chairman, of the length of the hearing list that you have, and I want to thank you for allowing me to come here this morning. I would like to file my statement, and maybe just take 3 or 4 minutes of the committee's time.

The **Chairman**. Without objection, that will be done.

Senator **Kennedy**. I think Senator Dodd has made the case very compellingly about the need, and I don't think we have to go over that particular issue. What I'd like to do is try and distinguish where I think we are with the ABC bill and the tax credit program.

I think there are essentially three different elements that we are addressing in the day care program. One is the issue of affordability. Two is the issue of supply. And three is the issue of quality.

Now, regarding the issue of quality, we have a range of different standards today, Mr. Chairman. I know that there is a taint to the word of standards. But we have standards today, for example, with dangerous toys. We have Federal standards with regards to Head Start programs. We have standards with regard to child nutrition programs that are used in the school systems, the breakfast and lunch programs.

There is a whole range of Federal standards which have been accepted, and I don't hear anyone talking in the Senate about withdrawing those kinds of protections for the most vulnerable people in our society. I think the kinds of standards suggested in the ABC bill be adopted in the States—my own State of Massachusetts for example, and they work very effectively. And they have not inhibited, but have improved the quality of child care.

What are the kinds of things that we are requiring? We are requiring that those who work in day care don't have criminal records. There is no such prohibition at the Federal level. We are requiring children in the day care are immunized. We are requiring that you're not going to have one individual taking care of 15 kids.

I think if we look at what we have tried to do on the quality issue, I think that it's justified. And I think that that is an advantage.

Secondly, we have tried in the ABC program, by providing the funding to the States for grants and loans for the startup of child care programs, to increase supply. We have tried to encourage the public/private partnerships that Senator Dodd mentioned briefly. We provide resources in terms of liability pools because insurance costs are an inhibitor to the development of these kinds of programs.

We also provide incentives for recruitment of additional personnel. And I think that the hearings held by the Labor Committee make clear that these are useful steps. I haven't tried to be all-inclusive, but just to give some examples.

Finally, on the issue of affordability, this is where I think the tax credit and the ABC program begin to match. I think the ABC program addresses the issues of supply and quality. On affordability we begin to match. And that is where I don't exclude the possibility of tying the two concepts together. I know the Chair and other members heard the first question that was asked of Senator Dodd. We all know the challenges that we're facing in the budget. But I would hope that there may very well be a tying together of a tax credit and what we have attempted to do with the ABC program which provides 70 percent of resources to the working poor, trying to reach the areas of greatest need.

I don't think the approaches are mutually exclusive, but I do think that there are additional elements in ABC to deal with quality and supply which aren't necessarily addressed by the tax credit.

All I would like to say is we welcome the opportunity to work with the members of the committee as we move forward. Whatever your proposal is, I do think that bringing these elements together would probably provide the best type of a program.

[The prepared statement of Senator Kennedy appears in the appendix.]

The **Chairman**. Senator, you've made some good points and I think that's helpful.

Are there questions of Senator Kennedy? If not, thank you very much.

Senator **Kennedy**. Thank you very much, Mr. Chairman.

Our next witness is Hon. Pete Wilson, the Senator from California.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator **Wilson**. Thank you very much, Mr. Chairman. I must say that it has been education sitting here and listening not just to the witnesses who have preceded me, but to the questions and to the statements from the committee. One thing that seems clear is that the disappointment that many of us had in the last session, that we did not achieve child care legislation, hopefully will be avoided in the 101st Congress, and it seems that a great deal of progress has been made.

In the interest of time, let me just summarize the statement that I have and use several of the comments that have been made by you, Mr. Chairman, Senator Packwood, and Senator Domenici as a point of departure.

First, I think the point has been abundantly and properly made that what we are necessarily compelled to examine is who most needs child care. It is the working poor. That being true and given the constraints placed upon us by our efforts to reduce the deficit, the one question asked by you, Mr. Chairman, of Senator Dodd I think is a question that clearly must be asked of all child care proposals before the Congress: What will it cost?

In the context of that question and the focus of your committee as well as Senator Domenici's on meeting the Gramm-Rudman-Hollings deficit target levels, it is absolutely essential that we be as honest when we speak to Governors, when we speak to parents about what it is that they can expect from the Congress as we attempt to provide them the assistance of a new child care program.

Let's focus for a moment on the question of the wisdom of a national standard. I think that the bill that I heard Senator Packwood describe sounds very similar to legislation that Senator Domenici is proposing, very similar to the bill that I am here this morning to explain. It's a bill that I introduced in the last session of the Congress. In the 101st Congress it is S. 55.

My legislation differs principally from the Domenici bill in that it does not provide for a tax credit for those who choose to stay home rather than work. This is once again simply a function of the reality of the financial crisis with which that we are required to deal in reconciling the absolute need for a new program and the kind of quality child care upon which we all insist.

Now, with regard to national standards—this chart that I have prepared for you is a pointed illustration of what would happen if a national standard were required, as it is under the Act for Better Child Care, and if we went to the highest State standard in terms of the ratio required for the care of 5-year-olds.

I might point out that this chart makes rather clear that in different States the ratio varies enormously. If you took the most stringent State standard that provided presently in the State of New York as the national standard to which all the States must rise, then you would have a situation in which all the other States would have to change their existing standard. You would find that those States that are outlined in green, those on the Pacific coast, those in the upper Midwest, Pennsylvania, Virginia, Maryland, would have to increase their costs about $400 per child per year.

Senator MOYNIHAN [presiding]. Senator, could I just ask, so as to be clear, are we to understand that all States now have standards?

Senator WILSON. Yes. All States have standards with the notable exception of Iowa and New Jersey, which currently does not regulate child-staff ratios for 5-year-olds.

Senator MOYNIHAN. Thank you.

Senator WILSON. Those that are in purple, which are the Rocky Mountain States, the Southern States, and the Central Midwestern States, along with the States of New Hampshire and Massachusetts—and I noted with interest Senator Kennedy's speaking with pride of the standard in Massachusetts—they would be required to increase the cost of care by $800 per child per year in order to meet the New York standard.

Now, Senator Moynihan, I think that as knowledgeable as you are about the great ethnic and cultural diversity of this great Nation, it comes as no shock to you that there are in my home State, new Californians, those who weren't there 10, 15, 20 years ago, people who came literally from Asia without a written language. They obviously do not present the same need as other more assimilated, if recent, arrivals. However, even among those States thought to be more homogeneous, there is clearly a difference between they think to be an adequate ratio.

I think that on the point that Senator Packwood and you have made with respect to how to constitutionally provide assistance to those explicitly religious child care organizations, the clear way to accomplish this is through a tax credit.

What I have provided for in my legislation, cosponsored by Senator Cochran, is a choice for working poor parents between the existing dependent child care credit or a new refundable children's tax credit for those who earn less than $16,000. This is different from the Bush proposal, which is a proportionate proposal. Ours would afford, I think, a much more realistic and fair child care subsidy to the working poor. While it would not cover the complete cost of child care, the KIDS bill would provide assistance up to $1,500, $750 per child.

The criticism that I think many of us have of the very good intentions in the ABC bill—incidentally, I join with those who have celebrated the obvious concern that has led Chris Dodd to spend long hours and months in preparation of his legislation—is that the approach of subsidizing slots is one which will reach only a tiny fraction of the total universe of need.

Senator MOYNIHAN. Would you care to put a number on that, given the fact that it's probably a very approximate number.

Senator WILSON. I would say that if we use that approach—and I don't think we are being overly conservative or that we are being unfair—then it would appear that you will reach about 7 percent of the total universe of need. That is less than is required for the State of California.

If we are talking about America as a whole, we're talking about a very small fraction. It is true that this is the beginning, but I think that reaches Senator Domenici's point once again. Costs will grow.

As I point out this chart to you, this map, it is predicated upon costs for child care workers that are rather modest salaries, maybe $12,000. I would expect over time those costs will rise as those salaries rise. I think Senator Domenici is correct in saying to the Governors a word of caution. I think the word of caution is one that we need heed if we are in fact to help in this situation rather than creating expectations that we have distinctly underfunded.

Mr. Chairman, you and I are painfully aware of that fact. I have cosponsored your legislation, S. 26, which is I think the kind of responsible action that is taken to make good on what would otherwise be rank hypocrisy where we have legislated a drug bill that could be very useful if fully funded, but last year we left it about one-third funded.

I don't want to see us get into the same situation on child care when there are practical alternatives such as allowing the States and parents flexibility and discretion through a tax credit.

I am getting the hook from the distinguished Senator from Minnesota. I assume we're running out of time to vote. I would be happy to come back.

[The prepared statement of Senator Wilson appears in the appendix.]

Senator MOYNIHAN. We will be happy to hear when you come back. May I say I think you've made a very compelling case here.

Will we get the tables with the data on which this map is based?

Senator WILSON. Yes. The map is based on Department of Labor information.

Senator MOYNIHAN. And can you provide that to the committee?

Senator WILSON. I would be happy to.

Senator MOYNIHAN. I see your associate there is nodding. We would very much appreciate that.

[The material requested can be found in the appendix.]

Senator MOYNIHAN. I think, sir, in the interests of collegiality I want to say to you, you should go and vote.

Senator WILSON. Thank you.

Senator MOYNIHAN. And thank you very much, Senator. That was very compelling testimony.

[Recess.]

Senator MOYNIHAN. We will now hear a panel consisting of the Honorable Jane Maroney, who is well and favorably known to this committee for her work representing the National Conference of State Legislatures on the Family Support Act which we enacted last year; and the Honorable Herb Stout, who is the Commissioner of the Wake County Human Services Department, and is here representing the National Association of Counties. He is a Commissioner from Raleigh, NC, of course. Mr. Stout, we welcome you, sir.

Ms. Maroney, if you would just proceed. I will be disappearing suddenly and our chairman, Senator Bentsen, and others will be reappearing.

STATEMENT OF HON. JANE MARONEY, DELAWARE STATE REPRESENTATIVE AND CHAIR, DELAWARE HOUSE COMMITTEE ON HUMAN RESOURCES, CHILDREN, AND AGING, TESTIFYING ON BEHALF OF THE NATIONAL CONFERENCE OF STATE LEGISLATURES, WILMINGTON, DE

Ms. MARONEY. Thank you very much, Senator Moynihan. It is a very great pleasure for me to be invited to return to room 215.

Senator MOYNIHAN. It is very nice to have you back.

Ms. MARONEY. Thank you so very much. It is a pleasure to be with so many august confreres in the issue of child care. Child care is an issue that is very, very special to me, providing the welfare for our Nation's children, especially those at risk.

The problem before us today is one that States have struggled with for some time: how can we best provide affordable, available, quality child care in these times of limited fiscal resources among all levels of government?

I chair the House Committee in Delaware on Human Resources, Children and Aging, but it is on behalf of the National Conferences of State Legislatures that I appear before you today. And if there is one word—if I'm cut off—the green light is on and I hope that I can finish before I hit the red——

Senator MOYNIHAN. No, the green light says go ahead.

Ms. MARONEY. Thank you.

If there is one word that I'd like to leave with the committee, Senator Moynihan, it is the word of leadership. We have been grappling with this issue for at least 5 years in Delaware, and with the Federal government not taking a very prominent lead role in the debate and the discussion. I mean the debate has been ongoing, but clearly that's the product that I hope will come from these hearings and the ultimate work of the Congress itself.

The availability of affordable quality child care is an issue that most State legislators have been grappling with for some time. In Delaware, I have actively sought to remedy this problem. In 1985 I initiated and served as Chair of the Delaware Commission on Work and Family that recommended several innovations in child care, and I have some copies of that report and executive summary.

Senator MOYNIHAN. We will make that part of the record.

[The report appears in the appendix.]

Ms. MARONEY. Thank you, sir.

I also continue to sponsor and advocate child care legislation and, in addition, I serve as a member of a very interesting national panel addressing the issues through the National Child Care Action Campaign which has just issued its first Trends report addressed to Secretary Dole.

I would to, if your committee staffs do not have copies of this Trends report, I'd like to make it a part of the record.

Senator MOYNIHAN. Without objection, so ordered. Yes, we'd like to have that.

[The report appears in the appendix.]

Ms. MARONEY. And I hope, in addition, to meet with Senator Dole's, it's hard to get those separate sometimes, Secretary Dole's staff this afternoon.

Senator MOYNIHAN. It's sometimes hard to tell them apart. We have the same problem.

Ms. MARONEY. The NCSL deliberated for nearly 2 years to adopt, by consensus, its own child care policy using examples of successful programs in the States. We believe that Federal action must supplement State efforts.

We further believe that Congress should construct a comprehensive approach to caring for our Nation's children. A comprehensive Federal child care program would include a mixture of tax credits for low-income families, grants to States for programmatic initiatives to ensure available, affordable quality care and expansions of key existing programs.

Congress should expand the Dependent and Child Care Tax Credit and make it refundable for low-income families. A refundable Dependent Care Tax Credit as suggested by President Bush, yourself, Senator Moynihan, and Senator Packwood, Senator Gore, and Representative Downey, targeted to low-income families, would increase the amount of money that working poor families have to spend on their child care expenses and allow families with minimal, if any, Federal income taxes to take advantage of that credit.

In the Family Support Act, as you well know, States are required to meet the child care needs of those on public assistance who participate in the Jobs Program and for the year of their transition into the working world.

We should make working just as feasible by helping working poor parents who incur child care expenses in order to work meet those expenses. This is especially critical for single mothers who are unable to achieve economic self-sufficiency if there is no one to care for their children.

A tax credit alone at any level of government is not sufficient for a comprehensive child care program. A Federal program that consists of only a tax credit assumes that poor families have access to affordable, quality child care. Unfortunately, this is not the case, as you well know. But this is where the States and State legislators, in partnership with the Federal government, play a very crucial role. A comprehensive child care program must include significant programmatic assistance. Legislation like S. 412 that assists both parents' ability to pay and their need to find affordable, quality child care is necessary.

Increasing the funding for the Social Services Block Grant by $400 million, as proposed in your bill, is a step in the right direction. NCSL supports this increase in Title XX, but prefers that the increase not be earmarked for child care. We in Delaware spend about 30 percent of our Title XX on child care or on children's initiatives.

Senator Moynihan. Is that about average throughout the Nation?

Ms. Maroney. I'm not certain. Secretary Hayward from Delaware of the Children's Department is going to speak for APWA in the next panel and I think that that may be a question, those figures that he has.

Senator Moynihan. It would be interesting to know.

Ms. Maroney. But we clearly feel—we have a Children's Department, but we separate Title XX money and give some of it for child care to the KIDS Department and then the rest to the aging.

Senator Moynihan. We would love to have that data.

Ms. Maroney. I see the red light is already on, Senator Bentsen.

The Chairman. Have both of you testified?

Ms. Maroney. I'm the first of the two on the panel. I'm Jane Maroney, Senator Bentsen, from Delaware, representing the National Conference of State Legislatures. My testimony is a matter of record and has been on record.

The Chairman. We'll take it in its entirety for the record.

Ms. Maroney. May I be allowed to wind up with just a few talking points that I think are important?

The Chairman. If you can do it in about a minute and a half, we'll do it.

Ms. Maroney. Oh, I hope to do it in less than that, Senator.

Also, the NCSL has just published a book called Child Care and Early Childhood Education Policy, and a copy is in each of your offices.

My final point, and I have had some interesting opportunity to talk with Senator Moynihan about some of his legislation, but the points that I'd like to leave you with are the very critical issue of leadership that I believe the Congress of the United States must take on this issue. It is interesting to me that no Governor is here this morning to speak to the issue.

I think that Congress will address, will put Governors on notice that they think this is a very, very vital policy that we must pay closer attention to, and I think that we often tend to look at the private sector as being the more important one to focus on in developing employee relations and employee benefits, but I think that your initiatives here in Washington will go a long way towards serving notice.

But clearly, as all the predecessors in this testimony this morning had said affordability, quality. And one final issue is that we feel States are in the best position, Senator Bentsen, to establish those standards. We in Delaware took more than two 2 arguing, pleading, cajoling, to get our standards established. We couldn't ever get them through the legislature, but through the administrative process we do have those regulations in place that meet the needs of the rural poor and those providers in that community as well as the inner city. So we do plead on behalf of NCSL to allow States to establish those standards.

[The prepared statement of Ms. Jane Maroney appears in the appendix.]

The CHAIRMAN. I have not had the benefit of hearing what you had to say previously. Are you opposing minimal standards on the part of the Federal government? Are you saying that that should be solely the jurisdiction of the State?

Ms. MARONEY. Senator Bentsen, the position that the National Conference of State Legislatures has taken is that when Federal mandates are put upon us, we already have a tremendous burden, as you know, from the Family Support Act, how we will deal with spreading those monies around for subsidies, adding more slots—is a tremendous problem.

We feel that the best place to have standards established is within our own jurisdiction.

The CHAIRMAN. So you're saying there should not be even minimal Federal standards. Is that what you're saying to me?

Ms. MARONEY. I so want a good comprehensive child care bill, I will not argue personally. I'm Jane Maroney from Delaware now, not National Conference of State Legislatures. Those are 7,400 other individuals. And I am here to quote and stand behind the policies that we have agreed upon.

The CHAIRMAN. Thank you very much.

Ms. MARONEY. Personally I would deal with minimal standards very happily because Delaware has already more than achieved that level.

The CHAIRMAN. Thank you, Jane Maroney from Delaware. We appreciate that.

Senator Roth.

OPENING STATEMENT OF HON. WILLIAM V. ROTH, JR., A U.S. SENATOR FROM DELAWARE

Senator ROTH. First of all, I want to apologize for not being here when Jane Maroney started her testimony, Mr. Chairman. I do have an opening statement. I want to congratulate you for holding these hearings. I do have some legislation which I will be reintroducing, and I hope that as a result of action here today and tomorrow that we come up with a positive answer to this most important problem.

In the meantime, Mr. Chairman, it is a great delight for me to have two Delawareans here to talk about child care. Mr. Charles Hayward, Secretary of the Delaware Department of Services for Children, Youth and their Families is here on behalf of the American Public Welfare Association; and Jane Maroney is nationally recognized for her perception and leadership in these kinds of matters. And I just want to welcome both of them for being here.

The CHAIRMAN. Thank you, Senator.

[The prepared statement of Senator Roth appears in the appendix.]

The CHAIRMAN. Our next witness is the Honorable Herb Stout, who is the Commissioner of Wake County and the Vice Chair of the National Association of Counties Human Services Steering Committee, from Raleigh, North Carolina.

Mr. Stout, we are pleased to have you.

STATEMENT OF HON. HERB STOUT, COMMISSIONER, WAKE COUNTY, RALEIGH, NC, AND VICE CHAIR, NATIONAL ASSOCIATION OF COUNTIES HUMAN SERVICES STEERING COMMITTEE, TESTIFYING ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. STOUT. Thank you, Mr. Chairman.

We appreciate the opportunity to testify on this very important issue today. I will say that I'm very impressed with the testimony that's been given so far and the remarks of the members. I think you're very conversant in this issue, very educated, and I think perhaps more so than I. So I will simply stick to the opinions on these various issues of the National Association of Counties.

The CHAIRMAN. I must say such modesty is unusual and appreciated. [Laughter.]

Mr. STOUT. Well, we don't always do it that way back home, Mr. Chairman, but certainly will do it here. I am very impressed.

I would like to give you NACO's view on two predominant approaches to child care: tax credits and direct Federal resources. I would also like to talk briefly about my home county's efforts in child care. NACO supports increased Federal resources for child care. We support a mix of tax credits and direct Federal resources. Both approaches have merit. We would hope that neither approach is pursued to the exclusion of the other.

I would like to first turn to the tax credit proposals by discussing the Expanded Child Care Opportunities Act of 1989, introduced by Senator Packwood and cosponsored by several of the members of this committee. We support the provision to make the existing dependent child care credit refundable and expand the credit for low-income families. A refundable credit would give low-income families greater freedom of choice in child care arrangements and, like a negative tax income, increase their income.

This approach is an administratively efficient means of targeting resources to lower income families and complements the successful efforts this committee undertook last year when it included transitional child care and welfare reform. We are encouraged that the provision seems to have bipartisan support, including the President's. To help finance a child care package, we would support a phaseout of the tax credit at upper income levels.

Another tax credit proposal that we have reviewed is President Bush's child tax credit, giving very low-income families up to $1,000 per child under four. As a way of putting more income into the hands of working poor people, it is a step in the right direction. We do not consider it a child care provision. The credit could be used for many other important pressing needs such as food, clothing and shelter. We believe it would be a mistake to construe this proposal as one that meets child care needs.

Tax credits are not a substitute for direct funding. A balanced approach to Federal child care initiatives should also include grants. We support an increase in the Head Start Program which clearly is one of the most effective Federal programs in existence.

We also support an increase in the Social Services Block Grant; however, we cannot support an earmark of new funding for child care as proposed by S. 412. Counties rely upon this funding for a variety of competing social needs. A Title XX earmark would hamper local government's ability to make the tough choices on meeting its community needs.

While we believe that the block grant should be increased, we would urge you to not view it as the primary means of addressing child care.

The ABC bill, as passed by the Senate Labor and Human Resources Committee last month, has improved greatly compared to last year's bill. Provisions were added recognizing the importance of local governments in coordinating and providing some of the child care. A higher percentage of funding is available to States to increase supply and improve the quality of care. However, we are concerned about the imposition of a number of new State mandates, including Federal minimum standards.

Our position opposing Federal minimum standards is one that many of us in NACO agonize over. As elected officials, county commissioners are there to serve the public. For many of us, our primary motivation for holding office is to protect and represent the interests of those constituents who are disadvantaged. We are just as concerned about the health and safety of children as anyone else.

But we also face the hard reality of complying with unfunded or underfunded Federal mandates. We make the tough choice of either increasing local revenues to comply with the mandate or reducing other services to pay for it. Many national goals are commendable, but they create additional burdens at the State and local levels.

Many of us are striving to meet environmental protection mandates, including clean air, water and solid waste disposal. We work to comply with many of the transportation mandates, and in human services we struggle to meet the quality control requirements of the AFDC program.

So mandates are not new, nor is our experience that they are not fully funded. This past experience, combined with the reality that today's Federal budget deficit limits funding available for new initiatives causes us a great deal of concern when new Federal standards are considered regardless of the issue.

We also look at new Federal initiatives in the context of the shift in financial responsibilities during the 1980s. State and local governments have taken more than their fair share of cuts to reduce the Federal budget. According to the Congressional Research Service, Federal grants to State and local governments have decreased in real terms by 47 percent since 1980.

When Federal grants are singled out as a percent of total county budgets, the drop is even more dramatic. In 1980, Federal grants were 9.1 percent of county budgets. In 1986, excluding general revenue sharing, counties only received 2.5 percent of their budgets from Federal government, a 73 percent drop.

We have responded to Federal standards and decreased Federal dollars by raising local revenues. The Advisory Commission on Intergovernmental Relations estimates that local governments have increased their own revenues by over 60 percent between '81 and '87, including all other Federal revenue sources. Local governments raised nearly $464 billion in 1987.

Mr. Chairman, I am going to depart from my prepared remarks at that point and just make a couple of observations about what we find locally. First of all, the facts and figures that I have from North Carolina are derived from this report prepared by the North Carolina Child Advocacy Institute. They have done a detailed study of child care in North Carolina, so we have a good handle on where we are.

The second point that I would make is to follow up on your earlier question about the Federal mandates. We don't oppose Federal mandates in the National Association of Counties. I think that needs to be clear. We oppose Federal mandates that are not funded fully.

I think there is an important distinction there, and I don't even want to equivocate on that issue. I think the standards that have been proposed in ABC are laudable and I think that we do need minimum standards.

The CHAIRMAN. You think they are what?

Mr. STOUT. Laudable. Commendable.

The CHAIRMAN. It was just a matter of hearing, not understanding.

Mr. STOUT. Well, my daughter is deaf, Mr. Chairman, and she says that some don't hear and some don't listen, and she puts me in the category of don't listen. The older I get, I keep telling her I now have an excuse.

The manner of national standards is something that we need to consider and I certainly think a point at which we can all agree. But it is the matter of our past experience with national standards being either not funded or underfunded. It becomes a matter of "easy for you to say, very tough for us to do."

Therefore, we would urge you to consider it in a different context. We have proposed in my remarks a matter of incentives rather than penalties in the area of national standards, and we would welcome an incentive program that is coupled to national standards, to work with States and counties in a partnership that was mentioned earlier.

I will leave you with one more point. You understand, of course, quite well that when we are dealing with the people, it's a matter of 20 feet away instead of at some long distance, and our people feel quite free to call us on the phone with their particular problems. We have single parents that call us and talk about the waiting list for child care. The facts in here show that while we have over 600 children that we are serving, there are over 700 on the waiting list.

These parents call us and they tell us about the dilemma that they're in. And we really do want to work with the Federal government and our State governments to work out a partnership to solve this problem. It is a huge national crisis and one that we must address.

Thank you.

[The prepared statement of Mr. Stout appears in the appendix.]

The **Chairman**. Thank you, Mr. Stout. We are very pleased appreciative of that. And I understand how both of you are on the firing line, in very close relationship to these concerns.

Are there questions of either of the witnesses?

Thank you very much.

Ms. **Maroney**. Senator Bentsen, if I may be allowed to include as a matter of record that NCSL is against any federally mandated standards and we take the same position that Mr. Stout has enunciated here; that we have discussed model standards or guidelines at a middle ground as part of an incentive block grant approach. I think that has to be my definitive statement about minimum standards.

Senator **Packwood**. I do have a quick question. I came in at the end.

Ms. Maroney, are you saying the National Conference of State Legislatures is opposed to mandated standards, in contrast to Mr. Stout who is saying we're opposed to them unless they are funded? Is your opposition unequivocal and his is depending on funding?

Ms. **Maroney**. Well, it really as a matter of policy has been so thoroughly debated, Senator Packwood, that I would say it is unequivocal, but those of us who really want to build so desperately that we'll negotiate.

Senator **Packwood**. And, Mr. Stout, yours is dependent upon funding?

Mr. **Stout**. Yes, Mr. Packwood. And I think you need to note that that's progress amongst our organization. I think that we are being more flexible there than perhaps we have been in the past, and I might recommend that to my colleagues in the State legislatures. I think we're trying to work with you on that point.

The **Chairman**. Thank you very much.

Ms. **Maroney**. May I make this a matter of record?

The **Chairman**. Yes, of course. As I stated earlier, your statement will be taken in its entirety for the record.

Ms. **Maroney**. Thank you.

The **Chairman**. We are very pleased to have Senator Dan Coats here to testify. He has a deep interest in the issue that's before us. We appreciate your courtesy in deferring to the panel while the vote was undertaken.

If you would proceed.

STATEMENT OF HON. DAN COATS, A U.S. SENATOR FROM INDIANA

Senator **Coats**. Thank you, Mr. Chairman. I have submitted a statement for the record and I won't attempt to read that.

The **Chairman**. That will be taken in its entirety.

Senator **Coats**. I think most Members of the Senate and House of Representatives included, share the goal of providing child care assistance. It comes down to a choice between which alternative we are going to pursue. The ABC bill takes one approach and there are a host of others, including my own bill that takes a different approach.

I am sure the panel has had outlined before it the reasons why those of us that prefer the second approach think the ABC bill is limited and flawed in its approach to providing child care. Our Labor and Human Resources Committee issued a minority report in which we outlined six basic reasons why we thought ABC limited the availability of child care options, was restrictive, and therefore didn't really address the need that we see.

The bill that I have introduced, and I have also endorsed Senator Domenici's bill, is based on principles which a number of us outlined last year and the year before as part of an effort to develop an alternative to ABC. I was part of a Child Care Task Force in the House of Representatives, and we said rather than just manipulate the numbers and see what we can afford and adjust this and that, let's define certain underlying principles that we think ought to form the basis of child care legislation and then develop a proposal based on those principle.

The principles that we enumerated were, first, that we ought to do what is possible to expand the choice that parents have in terms of child care options. Our diverse work force today, with mothers working part time, with people coming in and out of the work force, demands I think, flexibility in terms of the kinds of choices that we present to parents. And clearly most parents have chosen a wide variety of options, ranging from Grandma, to neighbor, to family neighborhood care, to church care, to institutional care and other arrangements in between.

That has been the choice of the majority of parents, and I think for good reason because it provides them maximum flexibility. And who is in a better position to really make the decision over which entity or group or person will care for the child than the parent himself? I think that's where the responsibility ought to ultimately lie, and I think that's where, when push comes to shove, the real accountability will rest.

Secondly, we wanted to target, recognizing the limited amount of Federal and State resources available to provide child care options. We thought it appropriate to target the assistance to the extent possible to those that really needed assistance. Many middle and upper-level income families have a choice of whether or not to stay home or work. That's their choice and we certainly don't want to do anything to deny that. Many in the lower or low-middle income categories have no choice except to go onto the welfare rolls.

For that mother who is the head of household with children at home, her choice often is to turn to welfare for assistance or to try to get into the work force and provide not only income for the family, but an example for her children.

We felt that on the ABC approach, which essentially fosters a child care system which used primarily by middle and upper-income families, would continue to direct funds away from those that needed the assistance the most. And so the principle that we developed was a principle of targeting.

Now, in my bill I went to the extent of actually capping the existing tax credit at $25,000 and redirecting those funds down into lower-income, lower-middle income levels. It targets money where it is needed the most, and it directs the Federal effort where it ought to be directed—helping those who need the help, providing the funds to those that really need the assistance.

Thirdly, we wanted to establish the principle that we here in Washington, we at the Federal government level, should not be the ones determining the best provider of child care. Many mothers, at considerable financial sacrifice, make the choice in those critical early years to raise the children themselves or to provide for flexible arrangements. We did not want to discriminate against families that chose that option, because many child care experts had come before the Select Committee on Children, Youth and Families and said that nothing, in most instances, can substitute for a mother's care. And to the extent that we can foster that, we ought to do it. And so we came up with the principle of nondiscrimination and, hence, the tax credit approach on a refundable basis.

Finally, we incorporated the principle that as the work force begins to shrink and as pressure mounts on employers to expand benefits to attract workers, that there ought to be an incentive for the corporate sector to participate in the provision of child care. Therefore, we proposed incentives to corporations who assist in providing child care assistance, develop onsite care centers, provide referrals, and pay the freight for some of their employees.

The Coats bill attempts to incorporate these principles. The Domenici-Wallop bill also incorporates many of these principles.

My final point is, I think it's important that the Senate have before it those two options; that since there is a general consensus about the need to provide child care assistance, we should not be limited to the ABC bill as an approach. We ought to have before us two alternatives based on two different principles upon which we can debate, evaluate, and make our final determination.

I think that is the best policy. It's the best way to proceed. Only this committee can report out the tax credit approach which incorporates what I think should be the underlying principles.

I want to thank you, Mr. Chairman, and members of the committee for the opportunity to present my case for you today.

[The prepared statement of Senator Dan Coats appears in the appendix.]

The CHAIRMAN. Well, you've done a good job of presenting your point of view.

Are there questions of the Senator?

Senator MOYNIHAN. Just to reinforce your statement, it was a very persuasive statement. Do I gather, Senator, that you were on the Select Committee on the House side?

Senator COATS. Yes. I was on it from its inception and served as ranking member.

Senator MOYNIHAN. If I may say, it shows—very much to your advantage.

The CHAIRMAN. I must say I am also pleased to see him on the National Commission on Children, making a contribution there.

Senator ROCKEFELLER. Mr. Chairman, that was going to be my point, that the Senator is a valued member of the Commission on Children, and his expertise will show.

The CHAIRMAN. Thank you very much, Senator.

Our next panel is made up of Mr. Raymond Scheppach, the Executive Director of the National Governors' Association; and Mr. Charles Hayward, Secretary of the Delaware Department of Services for Children, Youth and Their Families, representing the American Public Welfare Association.

If those two witnesses would please come forward.

Mr. Scheppach, there have been a number of comments concerning the views of Governors. We are delighted to have someone in authority speak to that. If you would proceed.

STATEMENT OF RAYMOND C. SCHEPPACH, EXECUTIVE DIRECTOR, NATIONAL GOVERNORS' ASSOCIATION, WASHINGTON, DC

Mr. SCHEPPACH. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before you today to discuss the Governors' views in developing effective child care legislation. I would like to submit my full statement for the record and summarize it briefly.

The CHAIRMAN. It will be taken for the record.

Mr. SCHEPPACH. The Governors believe that a national child care policy must support parents in their primary role of nurturing and caring for children. It should enable a family to choose the child care options, whether it be home or center-based, that best meets the individual needs of the family.

Quality child care is linked not only to the Nation's investment in a competitive work force for the future, but also to the productivity of its current work force.

In terms of an overall approach, the Governors believe that the Federal child care legislation must strike a balance between a tax credit and a grant program if it is to comprehensively address the issue of supply, quality and affordability. While a tax credit will help families pay for child care, a grant program will help States improve the quality, affordability and supply of that care.

The Governors believe that tax credits to help offset the costs of child care should be targeted to help low-income families maintain their economic independence. The Governors further believe that the Dependent Care Tax Credit should be retargeted by making the credit refundable and increasing its monetary value. We applaud the bill before the committee by Senators Packwood and Moynihan, which essentially makes these changes.

Further, the Governors believe that consideration should be given to the new Childrens Tax Credit included in the Bush proposal. However, the Governors believe that priority should be given to making the Dependent Care Tax Credit refundable, to help working mothers and welfare recipients who are trying to become economically self-sufficient.

In addition to a Child Care Tax Credit, the Governors believe that a grant program is critical to addressing the issue of quality, affordability and supply. The Governors support a grant program that will give States the flexibility they need to improve and expand quality child care programs.

A flexible grant program will allow Governors to build upon their existing child care systems, identify priority needs, and work to address them. It would also give States the flexibility to continue to experiment with innovative ways to provide child care. This flexibility will ensure more efficient targeting and use of resources.

While the Governors like the flexibility for States outlined in the Packwood-Moynihan grant program, they are concerned that it may direct a disproportionate share of the resources to the tax credit rather than to building a child care infrastructure in each State.

The quality and regulation of child care has been and should remain a State responsibility. Many States have enacted or upgraded child care standards in licensing procedures. Last year Arkansas, Colorado, Delaware, and New Mexico adopted annual training requirements for child care providers. Other States, including Arizona, Illinois, Minnesota, North Carolina, and New Jersey improved their regulatory systems by creating new categories for coverage of child care services.

The Federal Government should support but not supplant these State initiatives. However, not all States have the resources to establish and enforce optimal child care standards. The Federal government should work with States to improve the quality of child care. The Governors propose that the Federal government provide incentive grants to States to help improve the child care standards.

Only with a national commitment to child care, including an investment from Federal, State and local levels and the private sector, will progress be made. From the Governors' perspective, investment in children is the single most important effort we can make to ensure our Nation's future economic stability.

We would like to work with this committee, as well as Senator Dodd on the ABC bill, to craft a final comprehensive bill, without Federal standards, but one which combines a grant in a tax credit approach. We look forward to working with this committee to devise that bill.

Thank you.

[The prepared statement of Mr. Scheppach appears in the appendix.]

The CHAIRMAN. Thank you very much, Mr. Scheppach.

Mr. Hayward, we are pleased to have you, and if you would proceed with your testimony.

STATEMENT OF CHARLES E. HAYWARD, SECRETARY, DELAWARE DEPARTMENT OF SERVICES FOR CHILDREN, YOUTH AND THEIR FAMILIES; TESTIFYING ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION, WILMINGTON, DE

Mr. HAYWARD. Thank you very much, Senator. I have also submitted testimony so I will summarize.

The CHAIRMAN. That will be taken for the record.

Mr. HAYWARD. Over the past several years, there have been dozens, literally dozens of hearings on child care. This is evidence of the fact that child care has really become a national issue, a national problem. But I think because of the issues that have been addressed here, it is now time to take action. We must do something about child care.

The number of American families lacking affordable quality child care continues to grow dramatically. The changing demographics of the workplace has created an increasing need for child care across the country.

Just a few quick examples to highlight what is happening in two States. These situations are, in varying degrees, happening all across the country. In 1986, Tennessee had 961,000 women employed in the State; 490,000, or 51 percent, had children aged 6 years of age or under; and another 185,000 children between 5 and 9 years of age. Yet Tennessee has just 2,216 licensed child care facilities to serve over 10,800 children. In practical terms, that means that for every one space available in preschool day care programs, there are about five children who need care.

In Delaware in 1987, there was an estimated shortage of between 18,000 and 23,000 full and part-day day care programs. There are many other statistics which are available and which have been laid out in my testimony, so I will not repeat them.

The fact is that child care is the very foundation for self-sufficiency. It is a prerequisite for a single parent who wishes to work, and it is critical in providing an enriched environment for children before they begin school and as a supplement to the regular school day. This enrichment is especially important for children whose families are economically disadvantaged, who are in single family households, or who are isolated from the broader community due to their economic standards.

In 1987, APWA called for welfare reform through an investment in poor families and their children. We outlined our plan and we are happy to say much of it was included in the final legislation. Our program entitled "One Child in Four," referred to the percentage of America's children born in poverty.

A cornerstone of our policy called for increased access and availability of affordable day care to meet the developmental needs of children and assist families working towards self-sufficiency. Many of the programs, as I stated earlier, have come about as a part of the Family Support Act. We commend Congress for its hard work and tenacity in enacting this legislation that seeks to reduce poverty among children and their families by promoting self-sufficiency.

The legislation is significant for many reasons. Guaranteeing child care for AFDC recipients while they participate in the Jobs Opportunity and Basic Skills Training Program, and for the additional 12 months while transitioning into the world of work is truly historic. For the first time, Congress, the administration and this Nation recognize the critical link between work and child care.

For single parents, this link has become a necessity for economic survival. Yet, as States begin to implement the Family Support Act, they are very concerned about being able to meet what will be a tremendous demand for day care. Although the legislation requires that States guarantee child care to all AFDC-eligible recipients, it does not provide funding to increase the supply or improve the quality of existing day care.

If States cannot provide child care, AFDC recipients cannot participate in the Jobs program. This would mean that as human services administrators, we would not be able to fulfill our mandate or the aim of the Family Support Act to help families break the cycle of poverty by offering choices to achieve economic self-sufficiency through job training and educational opportunities.

We believe that without the ability to prod the market to create new slots for day care, that we as a nation may miss our opportunity break the cycle of dependency for many eager and deserving Americans.

This is why, Mr. Chairman, I am here today to encourage you to enact a comprehensive child care bill that would increase the supply, improve the quality, and provide affordable child care in communities all across the Nation. A tax credit approach alone will simply not address the fundamental crisis that faces States today.

We also need to build a sound infrastructure that balances a variety of child care needs and gives parents real choices in selecting the type of care that best meets their individual situation.

Taking into account the need for the infrastructure, we must also take a look at some other recent developments. What will the impact be of the new minimum wage which has just been passed? We will see day care providers making more money, but that will again be passed on to those who use day care. And who will be affected the most? The low-income.

The expanded Job Care Opportunities Act, S. 412, recommends a number of commendable revisions to the existing Dependent Care Tax Credit. First, by making the tax credit refundable, additional working poor families would now qualify for a credit. Many were previously unable to claim any credit because their tax liability was too low.

Second, the new funding provision that would allow families to receive the credit on a monthly basis through paychecks would put money directly into the hands of families to purchase child care.

Third, families would receive more money through an increase in the credit to help offset the cost of child care.

Let me just make one or two closing statements.

The CHAIRMAN. All right. If you would summarize, Mr. Hayward, please.

Mr. HAYWARD. There has been much discussion about the ABC bill and I think that maybe I've been looking at a different bill, but I think that many of the criticisms which relate to ABC are not valid. The bill does give States a chance to look at what it is they need in their particular States to address their needs.

We at APWA agree that we should have some incentives for those States who are not up to present standard, and would hope that any bill which is passed on child care would have a combination of a tax incentive targeted for the low-income, along with many of the approaches that are outlined in the ABC bill to effect quality and affordability.

Thank you.

[The prepared statement of Mr. Hayward appears in the appendix.]

The CHAIRMAN. Mr. Scheppach, I notice in your comments you speak in favor of the Packwood-Moynihan approach with a tax credit, but you seem to feel it tilts too far in that direction rather than doing enough for the infrastructure of child care within the State.

Now, look at the realities of what we are faced with here in this committee. We are talking about possibly having a very limited amount of funds to allocate for child care. It's too early to know whether we'll even have as much as $1 billion. And we listened to a description of the ABC bill, and it will cost something in excess of $2 billion. Others are talking of $2 to $2½ billion.

If you had a billion dollars for child care, how would you spend it? Would you do it by increasing Title XX funding? Would you do it through the tax credit? Would you do it through a new discretionary program?

Sitting here in our position, what would you do?

Mr. SCHEPPACH. Let me say first that the policy the Governors adopted talks about a balanced approach. And I think that I need to probably get further clarification from them before I say that this is essentially their policy.

But my own sense is that you need to be talking about a minimum of 35 to 40 percent in the grant and the tax credit side of it. The Packwood-Moynihan bill talked about, a total of about $3 billion, of which $2.6 billion was on the tax side and $400 million was on the grant side. That seems to be too little for the grant program.

We are particularly concerned that we are in fact going to get some Federal standards that we oppose——

The CHAIRMAN. Let's say we are talking about a billion.

Mr. SCHEPPACH. My own personal feeling again is that a 50-50, 60-40 kind of distribution might well make some sense.

The CHAIRMAN. Well, to some people, balance can be tilt. You said 50-50 and then you said 60-40.

Mr. SCHEPPACH. I think within those ranges, the Governors would find that acceptable, but I would prefer to get back to the Governors to get you more specific information on that, Mr. Chairman.

The CHAIRMAN. When you said 60-40, are you saying tilt it either way?

Mr. SCHEPPACH. Either way. Once you get in that range, it's difficult for us to say. I also believe it depends to some extent whether you combine the Bush proposal for the children's component in the tax side of it.

The Governors' position is basically that they want the maximum amount for low-income recipients, and I think that leads you toward the refundability of the current tax credit.

The CHAIRMAN. Are there further questions?

Senator DURENBERGER. Mr. Chairman?

The CHAIRMAN. Yes, Senator Durenberger.

Senator DURENBERGER. Thank you, Mr. Chairman.

Do either of you gentlemen have an estimate of the total dollar need out there. I just want to follow up on the chairman's question. He said we've got a billion dollars to spend. In this other committee I'm in, we passed out a bill that was $2.6 billion.

If we were going to do it all up right this year, what is the dimension of the problem or the opportunity?

Mr. HAYWARD. I think first of all, you have to define what you mean when you say "do it up right." That's an issue that I don't think has been determined. Are we really going to try to target this program for the very low-income? If you take a look at some of the tax bills, they touch some folks that maybe don't need the help.

So I think you have to really define what "do it up right" means and then go from there.

I would suggest from our deliberations in APWA, $2.5 billion is a figure that we've tossed around, and I think that it is an amount of money, were a bill passed, that could be workable. It may not meet all of the problems that are out there, but I think that you can work with that amount of money to begin to build up some of the infrastructure, working with the private sector. I think this is an area where the private sector can be extremely helpful. If we are able to create more slots because of competition and allow the free market to work its will.

Senator DURENBERGER. Let me ask the question somewhat differently. Do either of you have the figures readily available to you that the Federal government is presently spending on child care outside the home?

Mr. SCHEPPACH. What the Federal government is currently spending?

Senator DURENBERGER. Right. How much Federal money this year is going into child care.

Mr. SCHEPPACH. I think the Congressional Research Service has done an analysis of that. My sense is it's in the $6 to $7 billion range if you talk about both tax expenditures and grants.

Senator DURENBERGER. What does $1 billion added to $7 billion accomplish?

Mr. SCHEPPACH. I think the two issues here are quality and affordability. I think the tax credit does get at some of the affordability issues.

Senator DURENBERGER. How many people get more affordable child care for another $1 billion?

Mr. SCHEPPACH. Senator, I think that as in all tax expenditures, you're trying to impact a fairly small group on the margin, and I think that's true of this, as it's true of the Research and Technology Tax Credit and so on.

I don't disagree that the need out there is substantial. I don't think it's a supply problem as much as it is a quality problem. We're trying to get a higher level of development for children and it's very hard to put a price tag on that.

Senator DURENBERGER. I've just gotten used to, over the years, the Governors coming in with fairly clear, concise—and I'm not criticizing your statement—but speaking for the need out there, we've come to rely more on the Governors than we have on ourselves, I think, to articulate the need.

Frankly, I can't get a sense from your position statement what the folks out in the trenches see the need to be and why we ought to act. Your problem obviously is, you've got 535 estimates of both the need and how to solve it around here, and yet you are the folks out there that are actually right now trying to deal with these problems.

Mr. SCHEPPACH. We could perhaps try to survey some States and get you some information. But I think the Governors have been constantly concerned about the Federal deficit and therefore have been reluctant to come up here and ask you for large sums of money.

The CHAIRMAN. Well, that's very interesting. [Laughter.]

Forgive me, Senator, I apologize.

Senator **Durenberger**. No, I think I have finished.

The **Chairman**. You are in shock, too?

Senator **Chafee**. Mr. Chairman, I would like to put in a statement if I might. I'm a sponsor of the ABC bill and I look on this legislation, these efforts, as not a woman's issue, but a family issue, and I want to commend you for holding these hearings.

I suspect when we get finished, that it will be some combination of the ABC and the tax credit legislation. Certainly I am going to do everything I can to be helpful in that and would ask that my full statement be included in the record.

The **Chairman**. That will be done.

[The prepared statement of Senator Chafee appears in the appendix.]

Senator **Packwood**. Could I ask, Mr. Scheppach, would you express my appreciation to both Governor Clinton and Governor Kean? They worked personally with me, their staff and the Governors with ours, in making some changes in our bill and adopting some of the things they wanted, and I appreciate very much the Governors' help.

Mr. **Scheppach**. Thank you. I know they apologize for not being able to be here, but they had scheduling conflicts.

The **Chairman**. Senator Moynihan.

Senator **Moynihan**. Just to continue in that vein, to say to Mr. Scheppach and Secretary Hayward, the two of you respectively represent the principal organizations who were with us in the welfare legislation of last year. Without you, we wouldn't have enacted it and we wouldn't be on to this next subject today. There are precious few like you, if I may say, and thanks to the Governors and to the APWA.

I have one question which I just would like to know if you're thinking about. When Secretary Hayward mentioned the wonderful report, "One Child in Four," that you gave us about poverty in this country, that 1 in 4 ratio happens also to be the illegitimacy ratio. One child in four born today is born to an unmarried parent, mother.

The range, Senator Packwood and I straddle it. The ratio is 20 percent in Oregon, 30 percent in New York. And that seems to some persons at least the beginning problem with which we are trying to deal here. Yet we hear very few comments about it. Is there a public policy response to that problem or is that something just beyond us, or are we have not even begun to think about it?

May I ask Secretary Hayward? You are most directly involved in APWA.

Mr. **Hayward**. Well, obviously, the teen pregnancy issue, which is where a lot of those one in four that you discussed come from, is an issue which APWA is very actively working on. A number of States have various types of projects going on to try to deal with the teen pregnancy issue, anywhere from ad campaigns to dealing directly with providing specifically day care for those very young parents.

Senator **Moynihan**. Day care for those parents.

Mr. **Hayward**. For the parents—or their children—but providing other educational programs directly in concert with child care.

Senator Moynihan. That is certainly part of this problem. I mean it's day care while you finish school.

Mr. Hayward. That's correct.

Senator Moynihan. Thank you, Mr. Chairman. And thank the Governors' Association and the APWA. We would not be on this issue if you hadn't been with us last year on that issue.

The Chairman. Let me further state that I noticed when I said if we had as much as a billion, that a number of people brightened up, and I want to be sure they understand I said "if" we had as much as a billion, and we have absolutely no assurance of that. We have a really tough job to fill in trying to find the funds, whatever they might be.

Thank you very much for your contribution. We appreciate it.

Our next panel consists of Mrs. Marian Wright Edelman, President, Children's Defense Fund, Washington, DC; Elizabeth Kepley, with the Family Research Council, Washington, DC; Dr. Caroline Zinsser, Director of Research on Early Childhood, Center for Public Advocacy Research, New York, New York.

If you would come forward, please. We are very pleased to have you. Ms. Edelman, will you lead off, please.

STATEMENT OF MARIAN WRIGHT EDELMAN, PRESIDENT, CHILDREN'S DEFENSE FUND, WASHINGTON, DC, ACCOMPANIED BY HELEN BLANK, DIRECTOR, CHILD CARE, CHILDREN'S DEFENSE FUND

Mrs. Edelman. Thank you, Mr. Chairman. I thank you for your leadership and for the leadership of this committee in analyzing the many problems facing children and families, understanding their complexities and in trying to formulate appropriate policy responses.

I am pleased that this committee is now exploring ways of helping the child care problems facing many American families, and we thank you for the opportunity to testify. We thank the members of this committee, like Senators Chafee and Moynihan, who are cosponsors of the ABC bill as well as other bills to supplement the ABC approach.

We have developed a short fact piece on child care which we would like to submit for the record and we hope it will help provide this committee with a better understanding of why so many parents are frustrated today.

I think you have heard from enough witnesses—and I'll skip over it—that we do have three main facets of the child care problem, the issue of cost, the issue of quality and the issue of availability.

We are very heartened by the bipartisan consensus that is backing Federal action to address the child care problems faced by millions of parents. The number of proposals I think reflect the breadth of congressional concern and offer a variety of creative and complementary approaches. I think it's essential that these proposals be reviewed with the interests of children and families uppermost in mind and whatever the name, the number, or the sponsor of final child care legislation, we hope that those provisions will draw from the very best of them to ensure that there will be sufficient assistance to low-income families to enable them to afford safe and decent and quality care for their children while they're working outside the home.

We hope that any final proposal will improve significantly the quality of child care so that all parents can go off to work and be assured that their children are safe and are being put in a place where they can develop appropriately. We hope that any final provisions will provide maximum real choices for parents and give them a wide variety of options to choose from, and we also hope that any final proposal will help lay the foundation for a sound comprehensive child care system that we can build on in a variety of ways in the future as the need grows.

We support targeting funds for child care on those children most at need, but we favor doing that in the context of a broader creation of a system so that help to poor children will not be part of what becomes a poor child care system.

We also believe that any final child care bill should build upon current State and local policies and practices, and we think that the ABC bill will help the lowest-income families pay the full cost of child care at current market rates and do some help for low and moderate-income families, but we also think that is a next step forward from what States are already doing.

With ABC's assistance, thousands of our poorest working families will have access to a wide range of decent options now only available to the more affluent families. This includes relative care, it includes family day care homes, group homes, centers operated by community organizations, schools, religious congregations, employers, and others.

We really do back ABC's focus on improving the quality of care and assuring parents of safe care when they're at work. We do support national standards for health safety and quality. I do not think that children in Arkansas or children in one State should have less access to safe quality child care than children in another State that may be wealthier or able to provide for these minimal qualities of care. And one of the kinds of basic assurances that ABC attempts to provide is to, for example, ensure that parents have unlimited access to their child care centers. In a number of States, parents can't just drop in and see how their children are doing. It ensures that children will be immunized, which seems to me basic in ensuring the health of our children. And it ensures that providers should be prepared, through some minimal experience and training, to care for children. We think these are important.

I think that ABC does provide incentives for States by setting aside money to help them and communities and employers and other providers expand and improve their supply of child care. But we realize that the passage of ABC alone is not the only possible approach, though we do believe that it is an essential piece of any comprehensive approach.

We think that tax credits are important supplemental mechanism. We have two crises in this country, the crisis of low-income families not having enough income, and we think that a tax credit like the EITC or the Dependent Tax Credit, whose refundability we have supported for a number of years, would be significant supports on this particular crisis and so we favor them as a supplement to ABC, but they are not substitutes for creating the child care infrastructure that we think is absolutely essential to meet the needs of the 10½ million preschoolers whose mothers are already in the labor force.

Again, I think that we're open to looking at a range of supplemental tax approaches, including Vice President Bush's, but I think it is important that any supplemental tax approach be enough to give parents a very real choice to stay at home and care of their children, and we are not convinced yet that the Bush proposal does do that, but we are open to a broad range of approaches to see that parents do have that real choice to stay at home or to go out to work and know that their children are safe.

I am confident that this committee and this Congress will try to craft a comprehensive child care package with the needs of children in mind and we look forward to working with you in assuring that that occurs.

[The prepared statement of Mrs. Edelman appears in the appendix.]

The CHAIRMAN. You were certainly candid and forthright, and didn't equivocate. I am appreciative of your testimony and the work you have done with the Children's Defense Fund and particularly appreciate the work you are doing on the National Commission on Children.

I would like to call on next, Elizabeth Kepley from the Family Research Council. Ms. Kepley.

STATEMENT OF ELIZABETH Y. KEPLEY, FAMILY RESEARCH COUNCIL, WASHINGTON, DC

Ms. KEPLEY. Thank you, Mr. Chairman. First of all, I apologize that Mr. Bauer could not be here. He is in a meeting at the White House. I would like to summarize my remarks and submit full text of the testimony for the hearing record.

The CHAIRMAN. We would be pleased to take it that way.

Ms. KEPLEY. First, I thank you for giving us the opportunity to testify before your committee this morning about child care and the tax treatment of families with preschool children.

As your committee apparently recognizes, the child care needs of millions of America's families can be addressed more equitably and efficiently through tax code revisions than through government spending programs. Rather than promoting dependency on government programs, tax-oriented approaches encourage self-sufficiency and family autonomy by allowing employed parents to keep more of their own earned income.

While tax-oriented measures are superior to government spending programs, there is nevertheless a very serious flaw in the current child care tax law, a flaw that would be further aggravated by some of the proposals currently before your committee.

Under current law, the Dependent Care Tax Credit penalizes parenting. By tying tax benefits to child care expenses, the current Dependent Care Tax Credit perversely rewards parents for not spending time with their children. Generally the more time a child spends in substitute care, the greater the family's day care expenses. And the greater the day care expenses, the higher the family's tax credit.

Thus, the current Dependent Care Tax Credit discourages parent-child interaction by increasing the opportunity cost in foregone after-tax earnings that parents pay to spend time with their children. Essentially the credit redistributes income from families that make little or no use of paid day care to those that make extensive use of such services.

Not only does this penalize families in which one parent stays home full time to care for children, but it also shortchanges two-income and single parent families that seek to minimize their use of substitute care by working part-time, working different shifts, working from home, or having a grandparent or other relative care for their children.

To give you an idea of how the parenting penalty works, consider the following example. Mrs. Jones and Mrs. Smith are two working women who have a lot in common. Both live on the same block. Both have husbands who earn $26,000 a year, and both are pregnant with their first child.

After her child is born, Mrs. Jones decides she will take her $12,000 a year job immediately and go back to it. Conversely, Mrs. Smith decides to take at least year off to be at home with her baby. When April rolls around and Mrs. Jones prepares her family's taxes, she discovers that she can claim a $480 tax credit for day care expenses incurred while she and her husband were both working. No such credit is extended to the Smiths. Instead, the taxes they pay help subsidize the day care expenses incurred by their wealthier neighbors.

Now, the Smiths and Joneses have a good bit less in common. Not only do the Joneses have a significantly higher income than the Smiths, but they also have twice the tax-free employee benefits, and thanks to the Dependent Care Credit, the Joneses now have a lower marginal tax rate than their poorer neighbors. Meanwhile, the Smiths continue to wonder why Federal tax policy penalizes their decision to devote significant attention to raising their own children.

Some have attempted to defend the parenting penalty by asserting that paid child care is a necessary precondition to employment. According to the Philadelphia Enquirer in a recent editorial—and I quote: "When the second parent or single parent takes a job, paid child care is as mandatory as union due for a Teamster or gasoline for a cabbie."

But this is not necessarily true. According to a recent Census Bureau survey of child care arrangements, half of all preschool children with employed mothers are primarily cared for outside the paid day care market. Let me give you a few figures. This was released in 1987. Fifty-four percent of all children under the age of five are cared for by nonemployed mothers in the home. Seven percent of all children under the age of five have tag-team parents, parents that have sought creative solutions and work different shifts in order to care for their own children and have one parent at home at all times. Four percent of all children under the age of five are cared for by double-time mothers who earn income in their homes while caring for the children. And 11 percent of all children under the age of five are primarily cared for grandparents and/or other relatives.

Supporters of the current Dependent Care Tax Credit are quick to point out that all employed parents do not have flexible work arrangements and extended family networks which permit them to minimize their use of paid child care. While this is true and lamentable, it serves as no justification for tying tax credits to day care expenses. Indeed, doing so only penalizes families that make financial sacrifices to care for their own children and undermines efforts to develop more flexible work arrangements for employed parents.

Given the significance of parental time with children, the tax code should in now way penalize taxpayers who forego extra income to spend substantial amounts of time with their children.

Congressmen Clyde Holloway and Dick Schulze recently introduced legislation designed to ameliorate the parenting penalty. The Holloway-Schulze bill severs the link between child care expenses and tax benefits by replacing the current Dependent Child Care Tax Credit with a new refundable credit worth up to $1,000 per preschool child.

It will do the following: Number one, it will reduce the tax burden on families with children. Number two, it targets the greatest tax relief to lower-income families, encourages parenting without discouraging economic self-sufficiency, maximizes parental choice and autonomy.

I see that my time is up, so let me end with saying that again I thank you for allowing me to testify this morning, and I would like to close my remarks with this challenge. In the late 1960s, Congress addressed the Federal Tax Code's singles penalty. In the early 1980s, it took on the Tax Code's marriage penalty. Now is the time for Congress to eliminate the parenting penalty. And I trust that on the day when I personally have to choose to care for my own children, which I hope to have that choice, that my choice will be treated equitably and the law will not subsidize one parent's choice over another.

Thank you very much.

[The prepared statement of Ms. Kepley appears in the appendix.]

The CHAIRMAN. Thank you.

Dr. Zinsser.

STATEMENT OF DR. CAROLINE ZINSSER, DIRECTOR OF RESEARCH ON EARLY CHILDHOOD, CENTER FOR PUBLIC ADVOCACY RESEARCH, NEW YORK, NY

Dr. ZINSSER. The Center for Public Advocacy Research, whose studies I will be describing, is a nonprofit agency in New York City conducting research on issues concerning families, women, children and youth. I have worked with children and their parents for more than 30 years as a teacher, a program administrator, and a researcher. It is extremely gratifying to be here today to talk about child care. Thank you.

During that time, we have had to rethink how best to apply what we know about early childhood education and child development to the children of increasing numbers of working mothers. As you have heard repeatedly, we need child care arrangements that satisfy parents in terms of choice, quality and affordability, and that measure up to the kind of standards we apply to any other service for children, standards of professional excellence.

I would like to focus my testimony on the advantages and limitations of tax credits in fulfilling these two goals. We commend those who have recommended that the Dependent Care Tax Credit be expanded and made refundable. This a measure that those of us concerned with child care have long advocated. We wholeheartedly support it. We do not, however, view tax credits as adequate child care legislation.

Proponents of tax credits for child care claim that the credits allow parents flexibility of choice, particularly in using informal and unregulated child care arrangements by relatives and babysitters. Our studies at the Center have for the past 2 years been directed toward documenting how low-income parents make use of these arrangements. We have asked hundreds of working parents what kind of child care they really want for their children.

We established two important points of parent choice, both of which bear on child care funding policies. First, the low-income parents in our studies prefer child care for their infants and toddlers to be relatives and not by strangers. And, second, they prefer educational group programs for their older preschool children.

Tax credits can help pay for child care by relatives, but the problem is that many low-income families, because of changes in employment and residential patterns, no longer have relative care available. And when mothers tell us, "I can only trust my mother to care for my child," it is because they have come to distrust everyone else.

Although neighborhood babysitters can be of good quality, and many are, the only child care that low-income parents can afford is often unreliable and risky, provided by women who are themselves living under the stress of poverty. We have been told of children in the care of neighborhood sitters being submitted to safety hazards, harsh discipline, underfeeding, neglect, physical abuse from older children, and adult drug use.

If parents had access to trained family day care providers, they would have the assurance that their children would be in the hands of women educated in safety, health, nutrition, and child development. If parents had access to complaint procedures, they could act to correct inadequacies. If parents had access to child care resource and referral agencies, they could find a reliable family day care provider to suit their needs. If parents had access to subsidized care, they would be able to afford the quality they seek.

Only comprehensive child care legislation can address these issues. Tax credits do not.

We found in our studies that parents want educational group programs for their children when they reach age three and four. These parents want exactly the same early childhood education that we have identified as being, in terms of long-term benefits, in the best national interest, particularly for low-income children.

Head Start and public school pre-kindergarten programs operate only half-day. Child care programs which cover the full working day can be the vehicle for effective early intervention, but only if we increase the supply of subsidized center-based care, provide adequate salaries for child care teachers, and enforce educational standards. Providing tax care credits will not accomplish this. Comprehensive child care legislation will.

When tax credits are promoted on the basis of providing parent choice, we must ask what choice there is for parents who have no access to the kind of care they want. Funds are only as good as the care they can buy. If the child care that parents would choose is not available, the principle of parent choice is a delusion.

For meeting the child care needs of low-income parents, we support comprehensive child care legislation. We strongly urge this year's Congress to pass both tax credits and the Act for Better Child Care.

Thank you.

[The prepared statement of Dr. Zinsser appears in the appendix.]

The **CHAIRMAN**. Thank you very much.

Are there questions of the panel?

Senator **PACKWOOD**. I have a couple questions, Mr. Chairman. One, Ms. Edelman, when you were in my office last year, I specifically posed to you the question: if there were no Federal standards at all, would you be opposed to any child care bill? And you said yes. Is that still your position?

Mrs. **EDELMAN**. Senator, it is still my position that children in Texas and Oregon and Michigan and Arkansas should have the same quality of care, because they are American children and their chance for that quality should not depend on where they live. And so therefore we still feel strongly about Federal standards.

If there are ways, however, to assure that the same quality, health and safety goals will in fact occur in other ways, we are open to discussing that. I think that the ways in which the standards have occurred in ABC have been greatly misstated. I think they are very minimal. A majority of States already comply with most of the key important issues that we feel strongly about. It gives them another 4 years, and for some States even 6 years, to come into compliance.

But again, you know, I think the bottom line is whether we can come to grips with the underlying issue of quality for children and if there are other provisions which will assure that, short of Federal standards, we are open to discussing those.

Senator **PACKWOOD**. The second question. The ABC bill does not require vouchers. It allows them at the option of the States but doesn't require it. In those States that chose not to have vouchers, how would you get payments to genuine religious day care centers where they are teaching religion?

Mrs. **EDELMAN**. I think that the ABC church-State compromise, as I understand it—and Helen Blank is here—provides for funding of religious congregations that offer secular child care.

Senator **PACKWOOD**. Well, wait a minute. Secular child care, yes. I'm talking about religious day care where they are offering religious instruction with the day care.

Mrs. **EDELMAN**. I would like Helen to speak to that. She was sitting in on the negotiations.

Mrs. **BLANK**. We believe that the first amendment precludes providing funds to religious day care if the State is involved at all, and the State is involved when a voucher is used also, because a voucher payment—except in Oregon, which is very unusual, you are the only State, I believe—and maybe the Governors and APWA can correct me—that give money to parents. But States that use vouchers often use the contract mechanism.

Senator PACKWOOD. And it's constitutional?

Mrs. BLANK. I think the issue is a very gray area.

Mrs. EDELMAN. I think we are again, I think the courts should decide the constitutionality of a number of these. We have tried to work out a compromise that would bring all groups together. We are not trying to guess at or prejudice whatever the court is going to adjudicate as constitutional, and I think again we are trying to reach a compromise that will enable us to move forward on children.

The CHAIRMAN. I want to apologize, but we have a vote underway.

Senator CHAFEE. Mr. Chairman, will we have a chance to ask questions of this panel when we get back?

The CHAIRMAN. Yes. Senator Moynihan will be returning to chair, if you will forgive us. We will stand in recess until Senator Moynihan is back.

[Recess.]

Senator MOYNIHAN [presiding]. Good afternoon to you now. Senator Chafee, who is voting, has indicated that he would like to ask some specific questions of this distinguished panel. I am afraid that I missed Mrs. Blank's comments but I have read Dr. Zinsser's, and would just like to take advantage of your being here, pending Senator Chafee's return, to ask your sense of priorities here.

I have no particular view on this question, but I am puzzled. Last year, the Governors and the APWA together, representing the States, helped us get welfare legislation enacted into law. Otherwise we wouldn't have done it. Many other advocacy groups were against us. They always seem to be.

We did that, and that sort of seems behind us, and suddenly we are into this new subject when we don't seem to have absorbed the other one. What I would like to know is—just comments, we can just go right down the line, I guess Mrs. Edelman spoke first—what is the relationship of this issue we have before us to the issue of child poverty? I mean we have something singular. We may be the first industrial society in the history of the world where the poorest group in the population are children, and this has happened in the midst of a prolonged effort to get rid of poverty.

There are those, of course, who say the more you try to get rid of poverty, the more poverty you have. That means trying to get rid of poverty causes poverty. We're familiar with that proposition and appropriately suspicious of it.

But what has child care got to do with the question of child poverty? Mrs. Edelman.

Mrs. EDELMAN. I think it is related to child poverty because what we are trying to do here is to lay a very strong early childhood foundation.

Senator MOYNIHAN. An early childhood foundation?

Mrs. EDELMAN. We are trying to see that children in their earliest years——

Senator MOYNIHAN. What? Go to babysitters.

Mrs. EDELMAN [continuing]. Have the basics of safety and health and as much stimulation as they can. And we have a Head Start program, Senator, that serves mostly 3 to 5-year-olds, but reaches only less than 1 in 5 of all those children.

Senator MOYNIHAN. Should we put our money into Head Start, then?

Mrs. EDELMAN. I think that there should be a number of ways in which we try to build a comprehensive early childhood foundation. One of them is basic health care and prenatal care and Medicaid, and I think that the welfare of the Family Support Act last year gave some very good steps forward on that.

I think that trying to make sure that when parents have to work, that children, and particularly poor children, are in a variety of safe quality settings, whether under Title XX, or under Head Start, or under the Family Support Act, or under this new bill, because we still do not have a coordinated, comprehensive child care infrastructure that gives poor parents and poor children adequate choices when they work.

Third, I think that this debate about child care and poor children can be helped by giving low-income working families or working families adequate income, and I think one does that by improving the benefits under the welfare system, but I also think you do it through expanding the EITC or Dependent Tax Credit.

Senator MOYNIHAN. Well, in effect, we keep cutting the benefits under the welfare system. AFDC benefits, on average, are one-third less now than what they were 20 years ago, and the more we talk about it, the lower they go.

Ms. Kepley, what do you think?

Ms. KEPLEY. I think, first of all, when we're talking about children in poverty where both parents are having to work, we still have to get back to the subject of child care and who is best-suited to choose the type of child care environment in which they want to place their children.

And whether you're a lower income parent or an upper middle class income parent, the parent in our opinion is the best person to choose and make that choice for their child.

Senator MOYNIHAN. Nobody is suggesting that somebody other than the parent choose, are they? Does the mayor choose?

Ms. KEPLEY. I beg your pardon?

Senator MOYNIHAN. Are you going to have the mayor choose?

Ms. KEPLEY. No. But I think when you are talking about budgets, we have $6.9 billion in our budget right now that is going towards programs like Head Start.

Senator MOYNIHAN. That's the CRS number, yes.

Ms. KEPLEY. Yes. Programs like Head Start that will aid children who are in poverty. But we want to be able to give lower-income parents self-sufficiency and self-autonomy.

Senator MOYNIHAN. But I took your point to be essentially the parenting penalty as you described it. You would like to see people free to stay home, and you are basically advocating a children's allowance. Isn't that about right—in that direction?

Ms. KEPLEY. A family allowance.

Senator **Moynihan**. A family allowance, yes. I wrote an introduction to a book on family allowances 30 years ago. We were then and are today the only democratic nation in the world that doesn't have a family allowance.

President Kennedy got interested in it. Senator Neuberger ran into it when they were building the Alcan Highway in World War II, and the Canadians have had a family allowance for the longest time. It got associated with Catholicism and a desire to increase the population, which as a matter of fact children's allowances were associated with in Sweden and in France, but we have never been able to get anywhere near it. It's a cultural bias that we have not been able to break through.

Dr. Zinsser, what would you say? You've been studying the subject for 30 years.

Dr. **Zinsser**. In 30 years, I've really been working toward equity.

Senator **Moynihan**. Equity. What is equity?

Dr. **Zinsser**. I think equity is giving all children a fair start.

Senator **Moynihan**. What's a fair start?

Dr. **Zinsser**. Health, nutrition, education, love, care.

Senator **Moynihan**. Okay. You could define those things.

Does the government provide for love?

Dr. **Zinsser**. Love we've been strong on. Sometimes out-of-home love is not as strong as it should be.

I think that what we have now is a tremendous opportunity to make child care the vehicle for delivering those services to poor children. I think child care is nothing new to the middle class. It's just been called other things. It's been called nursery school. It's been called having a nanny at home. Now we're talking about poor children.

Senator **Moynihan**. Now, the middle class, by and large, doesn't have nannies.

Dr. **Zinsser**. No longer.

Senator **Moynihan**. They do in British television.

Dr. **Zinsser**. They no longer have nannies, but when I was growing up, there was plenty of in-home help for middle class people.

Senator **Moynihan**. That's probably right.

Dr. **Zinsser**. So I don't think that child care is a new issue for the middle class. I think it's always been around. I think it's just that we've tended to think of it as a welfare issue when its for the poor.

Senator **Moynihan**. No. Wait, wait, wait. Please help the committee. Child care in the form of someone to help around the house, the nanny proposition, is one thing. Child care for a mother who leaves the house to be employed is something different really, isn't it?

Dr. **Zinsser**. What I'm trying to do is to speak to the issue which people see as the division between day care being a welfare issue, and what we have traditionally had in the middle class, being an educational issue.

It seems to me we ought to see day care or child care as an educational issue, as a nutrition issue, as a safety issue.

Senator **Moynihan**. That is what Mrs. Edelman was suggesting, that this is a form of child development.

Dr. **Zinsser**. Yes.

Senator MOYNIHAN. I thought most people were just looking for a way to keep the child while mother is working.

Dr. ZINSSER. I don't think parents see it that way at all.

Senator MOYNIHAN. They don't?

Dr. ZINSSER. They want more. They are not satisfied with just custodial care.

Senator MOYNIHAN. Well, I suppose that's probably fair. I think it was you who said—yes, I have it over here—you know, our committee has to live in the real world, the real world of budget deficits. The chairman said "if" we had a billion dollars, what would you do? And it's very much an "if."

But you very simply said, "We need child care arrangements that satisfy parents in terms of choice, quality and affordability that measure up to the kinds of standards we apply to any other public service for children, standards of professional excellence."

How real is that as a thought? Standards of professional excellence?

Dr. ZINSSER. Well, when we talk about health standards, we are going to look to the medical profession to tell us what those standards are.

Senator MOYNIHAN. Right.

Dr. ZINSSER. When we look to safety standards, we are going to look to those people who know what standards should be, professionals.

And I think the same is true of early childhood education.

Senator MOYNIHAN. Now, are we talking about early childhood education or are we talking about day care for an 8-year-old or 12-year-old?

Dr. ZINSSER. No. I'm talking about how day care at all ages should have an educational component.

Senator MOYNIHAN. Should. But will it, does it now?

Dr. ZINSSER. In effect it does, because children learn every day, regardless. Let's make it a good learning rather than a destructive kind of learning.

Senator MOYNIHAN. Let me assure that you Senator Chafee is on the way. Mrs. Blank, how would you respond to my question?

Mrs. BLANK. I am only an observer because Mrs. Edelman is testifying, but I can't help but respond. I think in terms of the real world, it would be very helpful for members to go out and look at child care in America. I think it would be very useful to look at child care.

I think one of our great concerns and why we've been working on a comprehensive child care initiative is that we have millions of children in out-of-home care and the demographics show that number will grow. Because as a nation, we have not been willing to make the investment, the kind of care these children are in is not nurturing them and is not providing what they need to grow into productive adults, and is probably in many cases threatening their health and safety.

We have lots of poor child care because we refused to make the investment. And if we go and look at other countries, we see child care situations that are markedly different because they invest in paying caregivers, they invest in training caregivers, they invest in the health and safety and development of young children. We don't believe all children have to be in a child care center.

Senator **Moynihan**. What do they do in Canada? I always ask what do they do in Canada. That always seems to me to be a good question.

Mrs. **Blank**. Canada has a system that is more like ours than the European countries.

Senator **Moynihan**. How would you describe "ours"? Is ours a system or a——

Mrs. **Blank**. Ours is a nonsystem. It's a diverse system. Canada does not have the large number of for-profit providers. They, unlike the United States, will not give any money to providers who run child care on a for-profit basis. It's operated on a nonprofit basis.

Senator **Moynihan**. Help us there. That's important. The Canadians—we could all go up there and look, you know. It's just across the river from New York. The Canadians will not provide public subsidies, whatever the subsidies are, for a for-profit exercise?

Mrs. **Blank**. That's one of the issues that they have been fighting about, but at this point they don't believe in doing that. They also have some interesting initiatives that we have tried to look at. One of them, for example in Quebec, is that they provide funds to every child care center, every month for every child, to improve caregivers' salaries.

Senator **Moynihan**. Do they provide funds for church-related facilities?

Mrs. **Blank**. I am not familiar with whether they provide funds.

Senator **Moynihan**. Well, I'm not familiar with it either, but I'll tell you they do.

Mrs. **Blank**. We believe the ABC bill would provide funds for church-related facilities.

Senator **Moynihan**. You do?

Senator Chafee has arrived, and we've been having a very pleasant, if somewhat desultory chat, awaiting your arrival. We have some alarmed panelists down there who want to know what I'm doing.

Senator **Chafee**. I apologize. You are patient, and I think the next panel is patient, too. Maybe they're impatient.

Mrs. Edelman, let me just say that as you know, one of the principal objections to the ABC bill are these standards. And if there is anything that will raise hackles around this place it's Federal standards.

Now, what about having the State supply the standards. As I recall in the ABC bill, this is basically it, isn't it? The States will come up with standards that can be reviewed by the Secretary. It's not the Federal Government mandating X number of caretakers for Y number of children under the age of 2½ and so forth.

Am I correct in that?

Mrs. **Edelman**. Yes, sir.

Senator **Chafee**. Isn't this fear against Federal standards kind of a bogeyman that—well, I won't ask you to make that judgment. But it appears to me—as I understood in your answer to the chairman's question about your position on standards—that you would be receptive to other ways of arriving at the same result: quality child care. It wasn't Senator Moynihan's question, but somebody asked you about standards.

Mrs. EDELMAN. Senator Packwood's question.

Senator CHAFEE. Senator Packwood's question.

Mrs. EDELMAN. I think the bottom line is how do we get a good bill, a comprehensive bill for children, a strong infrastructure, with good quality standard commitments. If there, in the context of negotiations on a final package, ways of achieving this short of Federal standards, I think that we're going to be open to that.

We are discussing and talking with a lot of people, including the Governors and the State legislatures, but the bottom line is that there are assurances that children will be safe and healthy and that there will be minimal quality care.

Senator CHAFEE. What do you say to Ms. Kepley's testimony where she pointed out the inequities? Wife A stays at home and therefore doesn't earn $12,000, and therefore doesn't get a credit. Wife B takes advantage of all these and comes out with a tax credit, more income, and soon moves to suburbia where the grass is green and lives happily ever after.

Mrs. EDELMAN. I guess I would respond to that, Senator, saying we do again support a real choice for families to be able to stay home or parents to take care of their children and we are concerned about having two types of supports, one for the parents who are already in the work force. The question is how are their children going to be cared for and whether they're going to be safe and healthy, and secondly we support a range of supplements to families where a parent stays home. But, you know, life is not always fair.

We support low-income college loans even though all young people do not attend college. We support highways, although many American utilize public transportation. We subsidize public transportation, although some people continue to drive their cars. We regulate airline safety, but not all Americans use the planes. We subsidize the cost of mortgages for many families and some of them don't own their homes. And we provide flood and disaster relief even though all of us may not be affected.

The point here about our children is that the entire Nation has an interest in seeing that every child has a strong early childhood foundation in a variety of ways. We hope that their parents can provide it. But when their parents needs help, we think that there should be some accountability for Federal funds that assures that children are well taken of, and we will all be served by having strong children who learn well in school.

Senator CHAFEE. My last question. This is thrown at us all the time. The grandmother takes care of her grandchildren and you're stepping in trying to regulate how she does business. Why don't we keep the Federal government out of grandmother's home?

It is my understanding that in those family relationships, ABC doesn't apply. Regulations, standards, none of that applies.

Mrs. EDELMAN. We understood that we couldn't beat Grandma. We are not tangling with Grandma under ABC.

Senator CHAFEE. Even though Grandma might be paid.

Mrs. **Edelman**. Even though Grandma might be paid. I think that the Federal standards or whatever provisions of ABC, I think, leaves it up State regulations to govern Grandma.

Senator **Chafee**. And you have a provision in thee bill dealing with family relationships.

Mrs. **Edelman**. Whatever the States now do in this regard would govern the care of relatives.

Senator **Chafee**. I see.

Thank you very much, Mr. Chairman. Thank you all.

Senator **Moynihan**. Thank you, Senator, and we thank our panelists. And we appreciate very much what you've told us and we have learned from you.

Now we are going to have a final panel which has been, as Senator Chafee said, a very patient panel or, we submit perhaps, an impatient one. You are free to express your views either way.

Ms. Sandra Hofferth, from the Urban Institute; Ms. Rebecca Maynard, Vice President of Mathematica Policy Research at Princeton; and Dr. Roberta Barnes, who is also with the Urban Institute. Let me tell you that you have had to wait, but we are waiting to hear from you. Take all the time you need.

Senator Packwood will be back in a moment. He has to make a phone call.

Ms. Hofferth, our practice is just to follow the agenda. I am glad to see the Urban Institute represented twice.

STATEMENT OF SANDRA L. HOFFERTH, SENIOR RESEARCH ASSOCIATE, THE URBAN INSTITUTE, WASHINGTON, DC

Ms. **Hofferth**. Mr. Chairman and members of the committee, I am pleased to be here today to address two major questions raised in debates over the last few months. First, is there a shortage of child care slots? If not, what is the child care problem? Second, what is the impact on family behavior of changing the price of child care?

First, is there a shortage of child care slots? Although demand for child care and early childhood programs has grown dramatically over the past decade, so has supply. The evidence against a general shortage of care is the following. First, children are being cared for. Under 1 percent of preschoolers are caring for themselves.

Second, we have not seen a large increase in the price of day care center and family day care home care at all, which is what we might have expected were there a shortage. In fact, with the exception of in-home care by a sitter, prices have remained fairly stable. There may be spot shortages in certain geographic areas for infants, and in licensed care.

Third, even though there has been an increase in the labor force participation of mothers, about half of children are still cared for by a relative. If you look in Figure 1 of my written testimony, you will see the description of the child care arrangements of preschool children from 1965 through 1985.

Senator **Moynihan**. Where is that in your testimony?

Ms. HOFFERTH. That is Figure 1. And you can see that in 1965, 49 percent of children were cared for by a relative, 6 percent by a sitter.

Senator MOYNIHAN. Oh, good. We finally have some data. Thank God for economists.

Ms. HOFFERTH. Twenty-two percent are cared for in a family day home and about 23 percent in a day care center. That was in 1965. As you see, there has been a shift in care towards day care center and family day care home care, but about half of children are still cared for by a relative.

Today people have emphasized not the shortage of slots, but rather, a couple of other problems, particularly the cost and the quality of care.

Senator MOYNIHAN. Could I just interrupt? We're going to be informal here. When you say in your Figure 1, family day care, how do you describe that?

Ms. HOFFERTH. That is care by a person who is not a relative of the child, in that person's home, not the child's home. It's called a family day care provider.

Senator MOYNIHAN. Like a neighbor?

Ms. HOFFERTH. It could be a neighbor, it could be a friend. About 80 percent of it is paid. But it's not by a related person.

Senator MOYNIHAN. Eighty percent is paid.

Ms. HOFFERTH. About 80 percent.

I want to focus here on the issue of cost more than the issue of availability, since we think really the issue is that of cost, the price of care and its quality. But the issue here again is not simple. A number of surveys have looked at expenditures on care. Surprisingly, parents pay rather low amounts, from $40 to $60 per week on average. That is, we think they are low because we have a range of what parents pay. But the average is from about $40 to $60 per week.

But when measured against family income, the real story is revealed. Over all families, child care expenditures amount to about 10 percent of the family budget. While it takes under 5 percent of the budget of high-income families to pay for child care, it takes as much as 20 to 25 percent of the budget of poor families.

And if you would look at Table 1, which is the next table you see, at the very top of that table, the average budget share spent on child care by family income level. These are median percents expended on care, expended on care for families at different income levels. You see the percent goes from about 20 percent of families with incomes of $10,000 to 8 percent for a family of $30,000. And as income goes up, it drops until high-income families are spending under 5 percent. They are paying a small amount.

Overall, families are paying roughly the same amounts, regardless of their income levels, and this was brought up in earlier testimony. But if 10 percent is comparable to expenditure on food, 20 to 25 percent is comparable to expenditures on housing. So low-income families who pay for care are paying a considerable portion of their incomes for it.

Senator MOYNIHAN. Could I ask you just, again, if you will forgive the informality, on Table 1, in your fifth category—it says

Packwood-Moynihan proposed credit—you have a line that goes from 40 over to 20. Forty is what? Forty dollars, 40 percent?

Ms. **Hofferth**. Oh, 40 percent. I'm sorry. These are percents.

But I just wanted to point out that it is here that the goals of facilitating employment and child development, which people have mentioned before may collide, because to a certain extent it may be in the interest of parents and parental employment on the one hand and welfare policies to keep costs or prices of care down, while it may be in the interests of children and child development to keep quality and costs high. That is, there is some inherent conflict between two types of objectives we have, one in terms of the parents and the other in terms of children.

I will come back to that, but I want to move next to the behavioral impact of changing the price of care. Dr. Barnes will be addressing the issue of the direct cost of increasing the subsidization of child care through the tax system.

Is it okay to proceed?

Senator **Moynihan**. Please do. Senator Packwood will have to go to a caucus before long, and I want him to have a chance to question you.

Ms. **Hofferth**. Okay, I'll wrap up very quickly. I just want to address briefly the indirect cost of subsidizing child care through the tax system. Increasing tax credits effectively reduces the price of care to consumers and may change their behavior. In fact, this needs to happen for low-income working families to benefit from the credit, since at present only a small proportion use paid care.

If you look at Table 2, you will see that among the lowest income families, a larger proportion use relative or parent care and a smaller proportion use paid care in a day care center or home. In fact, there is solid research evidence that reducing the price of substitute care will increase labor force participation of mothers, increase expenditures on care, and lead some who are not now paying for care into using more formal paid modes of care.

The effects can be substantial depending on the size of the subsidy. Table 2 shows the potential direct effects. That is, depending on the income level of the family. That is Table 1. How large are these indirect effects? Based on one study of low-income families, Blau and Robins estimated that reducing the price of care from $40 to $30 per month, that is to about $1,500 per year, would increase employment from about 19 to 28 percent and paid child care use from 21 to 26 percent. Reducing it to $20—$1,000 per year—would increase employment to 43 percent and paid child care use to 36 percent.

Raising wages would also increase employment and use of paid child care, but not by as much because not all of it would be spent on child care. Only about 10 percent would be.

In sum, demand subsidies will address the issue of the cost of care; however, they will cost more than anticipated because for those who are not working or not paying they provide an incentive to pay for care or to pay more. The extent to which quality of care will also increase depends on whether parents who have greater choice will choose high quality care. The evidence is that parents want high quality care and that they purchase it when they can. The challenge is to help parents to be discriminating consumers with their dollars so that both children and their parents are beneficiaries.

Senator **Moynihan**. I am going to ask you stop there, Doctor. That is a very clear point. In other words, the effects are linear and intuitive in effect.

Ms. **Hofferth**. Yes. The more you reduce the price of care, the higher the increase in employment and the greater the use of paid care.

[The prepared statement of Ms. Hofferth appears in the appendix.]

Senator **Moynihan**. Now, Mathematica. What Mathematica, that institution that has devastated half the social experiments of the last 20 years, got to say. We ask with some trepidation; but it is late and the press is not around.

Whoops. I'm sorry the press is around. The Congressional Quarterly is around.

Ms. Maynard.

STATEMENT OF REBECCA A. MAYNARD, VICE PRESIDENT AND DEPUTY DIRECTOR OF RESEARCH, MATHEMATICA POLICY RESEARCH, INC., PRINCETON, NJ

Ms. **Maynard**. Let me start by saying that I am very pleased to have this opportunity to participate in your committee hearings. Mathematica Policy Research has just completed a major survey of child care supply and demand and three low-income urban areas.

In the limited time available to me, I want to focus my comments on the salient findings from that survey and their implications for your current policy deliberations. Based on that survey, we found that, although the number of child care vacancies exceeds the number of preschool-aged children whose nonworking parents have indicated a desire to work, there are nonetheless some significant problems matching children to appropriate provider settings.

In the low-income areas surveyed, we found that the centers were operating near capacity and that less than 15 percent of the vacancies that did exist were available for infants. In contrast, we found the supply of family day care to be plentiful and, altogether, we found that family day care providers in these cities reported being willing to take care of nearly twice as many children as they were currently caring for. However, less than 5 percent of the excess capacity in family day care homes was available for infants.

The second finding from our study is that the cost of care in these low-income areas was indeed similar to the national cost estimates. Families were paying $50 to $60 a week for full-time care, but the costs of care average about 20 percent of family income and ranged up to 50 percent of income among low-income families who paid for care.

A third point to mention is that although, in general, the centers and family day care providers met State guidelines with respect to staff/child ratios and group size, it is notable that over 90 percent of the family day care providers are unregulated.

Furthermore, to the extent that we are concerned with ensuring that the child care settings of poor children are enriching and will compensate for the poverty backgrounds of these children, it is notable that, on average, 40 percent of the family day care workers had less than a high school education.

Senator MOYNIHAN. Forty percent have less than a high school education. Do you ever expect that to be any higher?

Ms. MAYNARD. Well, I am talking about the relative richness of the environments. Ten percent of the working mothers of preschool-aged children have less than a high school education. And virtually none of the child care workers in centers have less than a high school education in these three areas.

A fourth noteworthy finding related to quality of the available child care that is the fact that a third of the family day care providers provide only part-time care, and while virtually all centers provide full-time care, centers do not offer extended day, evening or weekend care. Thus, each type of care imposes some limits in terms of whether the care meets the needs of working parents.

A fifth point is that while parents in our survey were generally satisfied with their current care arrangements, 30 percent did indicate a desire to change their arrangements, and a majority of the mothers who wanted to change their care arrangements wanted to do so in order that their children would learn more.

Consistent with this fact, most wanted to change from relative or family day care to center-based care. And this finding was consistent across the age ranges of the children. We found this for infants as well as for toddlers.

Finally, we found that the child care market works very informally, both from the providers' and the consumers' perspectives. Family day care provider in particular are very passive about marketing their services, with most taking no actions to fill vacancies.

The child care centers are somewhat better about information dissemination but the efforts are still limited and the result is that over half of all of the mothers in our sample selected their child care with no formal exploration of options. They did not look at one more than one center or setting before placing their child.

There are several policy options that I view as modest in cost, that it seems from our data could significantly improve the operation of the child care market and its responsiveness to the needs of families, particularly low-income families. One option would be to increase the financial subsidies available to low-income families through policies such as a refundable child care tax credit. And recent estimates that I am sure Robin Barnes will talk about suggest that making the current child care tax credit refundable would significantly increase transfers of child care subsidies to low-income families, particularly single parent families.

Senator MOYNIHAN. You are in favor of a refundable child care tax credit. Your data indicate——

Ms. MAYNARD. Our data suggest that when some low-income families are paying 50 percent of their income for child care that cost is a problem for them. And I would be in favor of policies that are going to subsidize the care to those families. One option is a refundable tax credit.

Second, our data indicate that there is a need to invest in improving the organization and coordination of the child care market, for example, through support of information and referral networks. Investment in resource coordination could improve significantly both the child care utilization rates among current providers and parental satisfaction with their child care by facilitating initial selections and changes by those who are dissatisfied.

Third, our data suggest that there is a need to have additional resources to support provider training, including training for family day care providers. And since most children of parents who will be participating in the jobs program are likely to be in relative care and in family day care settings, it seems important that we focus attention on the quality of that care as well as the quality of center-based care.

If I may make one last point——

Senator MOYNIHAN. Please do.

Ms. MAYNARD [continuing]. It also seems to me that there is a need to promote the development of more center-based care and family day care for infants. Of particular note for this committee is the fact that without the stimulation of additional infant care options, it may be difficult to achieve the intended level of school participation by adolescent parents that has been mandated under the Family Support Act.

Thank you.

[The prepared statement of Ms. Maynard appears in the appendix.]

Senator MOYNIHAN. Thank you.

Mr. Chairman, we are about to hear from the author of the Distributional Effects of Alternative Child Care Proposals, a paper presented at the Tenth Annual Meeting of the Association for Public Policy Analysis and Management in Seattle, WA, Dr. Barnes with the Urban Institute.

Senator PACKWOOD. If I might interrupt just a moment, Doctor, I have got to leave and make a presentation at one o'clock. I have read all three of your statements and it's a privilege to have this kind of testimony. It's very factual, very—I hate to use the word "unemotional" because people assume that's a negative, but it is very dispassionate testimony, which in this particular area is most welcome. I cannot remember when I have seen a panel of three people whose information was so helpful.

Thank you very much.

Senator MOYNIHAN. Dr. Barnes.

STATEMENT OF DR. ROBERTA BARNES, SENIOR RESEARCH ASSOCIATE, THE URBAN INSTITUTE, WASHINGTON, DC

Dr. BARNES. The focus today is on low-income people. I would like to summarize my remarks on how effective alternative child-related tax credits are at targeting the low-income families.

My remarks are going to be based on results from a microsimulation model known as Trim II, which is maintained at the Urban Institute.

Senator MOYNIHAN. Trim II.

Dr. BARNES. Trim II, Senator Moynihan. That's correct. Trim II takes data on real household records collected by the U.S. Census, in which the household records are subjected to a very complicated computer model to generate hypothetical population outcomes on, among other things, the personal income tax system which is relevant for the proposals we will be discussing today.

The current Child Care Tax Credit, as is well known, is highly regressive. Only 3 percent of all the dollars paid out go to the bottom 30 percent of the income distribution. And our previous research has shown that there are a number of features that might be considered in any new children's tax credits that could be effective at retargeting funds to low-income families.

First and most important, make the child care credit or children's credit refundable. Second, eliminate employment status or documented child care expenditure as qualifying criteria and allow for a more generous rate at which expenses can be applied towards the credit for low-income families.

I would like to look at three proposals that are of interest to people in the room today and compare how the income distributional effects from our simulation model fall out.

The first is the administration plan. This allows, as you know, for a refundable Dependent Care Credit and, in addition, offers an alternative and potentially more lucrative for some families, refundable credit, the Children's Tax Credit, to families who have very low incomes and have infants and toddlers. It is aimed primarily at the very bottom end of the income distribution. The maximum per-child credit of $1,000 begins to fall after $8,000 in AGI and is as low as $200 by $12,000 in AGI, well below the median income in the United States.

While earnings are required to qualify for the credit, in a two-parent family only one parent need be employed outside the home, and child care expenses need not be documented. A lot of people may be brought in due to refundability and the new Children's Tax Credit. In fact, the number of families receiving some credit is increased by over one-third from the current baseline credit.

Most of the families are brought in due to refundability. Of the $1.1 million who are brought in only because they qualify for the Children's Tax Credit, 7 out of 10 are from two-parent, one-worker categories for whom the credit is highest at $607.

The administration proposal, because it's targeted so heavily at the very low end, does a very effective job at redistributing dollars. Thirty-four percent of the credit dollars go to the bottom 30 percent of the income distribution.

The Packwood-Moynihan proposal is a relatively straightforward modification to the existing Dependent Care Credit. It targets dollars to the low-income families through two mechanisms. It raises the percentage of expenses that can be applied and it makes the credit refundable for all families below $27,500. For families with AGI under $12,500, 40 percent of expenses can be applied toward the Dependent Care Credit. This percentage falls by three points for every $2,500 in AGI over $12,500, but never falls below 20 percent. A comparison of the rate schedule with current law shows that the Dependent Care Credit may be anywhere from 5 percent to 10 percent higher under Packwood for all qualifying families with incomes below $25,000. Hence, this proposal attempts to spread the increased credits to a broader range of the low-income population.

Who benefits under this scenario? Because of partial refundability, close to one million additional households receive a credit under the Packwood-Moynihan bill as compared to current law. And, on average, the credit would rise to $402 in our hypothetical world, which is comparable to the administration figure. This is due largely to the combination of drawing in poor families through refundability and allowing some of them to increase the amount of the credit which they can deduct.

As a result, the primary beneficiaries of Packwood-Moynihan plan are single working families. Their average credit increases by a full 28 percent to $545.

Senator MOYNIHAN. Single working parents I think you mean. You said families.

Dr. BARNES. Sorry.

The Packwood proposal, as you could tell from my description, does target a smaller number of taxpayers, the working poor with child care expenses. The impact on the income distribution therefore is not quite as great. About 21 percent of all the dollars paid out under Packwood-Moynihan go to the bottom 30 percent, but it does do a better job at targeting the fourth and fifth deciles, the people right below median, 24 percent of credit dollars are going to these families as compared to 18 percent under the administration plan.

The fact that Packwood-Moynihan is not even more effective at targeting dollars at the low end is due to the unfortunate fact that the people at the bottom end of the income distribution cannot afford to spend a lot of money on child care. Allowing them to deduct a greater percent of a little buys them something, but not as much as you might hope.

There may be feedback effects which our simulation model has not taken into account.

Senator MOYNIHAN. Which Dr. Maynard seemed to think there were.

Dr. BARNES. Certainly one wouldn't debate that those feedback effects might be present.

[The prepared statement of Dr. Barnes appears in the appendix.]

Senator MOYNIHAN. Dr. Barnes, the hour of one o'clock has arrived, and under our rules we can't continue. But I am going to break the rules just a minute and ask if our staff could stay with us just a little bit.

First of all, to repeat what Senator Packwood said, this sort of testimony, this is gold for us. I mean it's data. It's analysis. Not just numbers, people come up and hand us tables, but you have worked it over and we are not going to let you go. You two are in town, of course, and you are not that far away.

One of the themes we are getting here—to be hard-headed about these things, there is no pleasure in it—in the end, it's the children. We've had a good time being advocates while the children got poorer and poorer and poorer and poorer, and the conferences have gone on and on and on.

The subject of development. I want to just look around here and make a point to you. We've been getting a lot of talk, day care must be developmental. Now, just take a look at the gender ratio in this room today. Over at the press table, the remaining press, the Congressional Quarterly—is represented by Judith Rovener. We have Dr. Barnes, Dr. Maynard, Dr. Hofferth with us—4, 5, 6, 7, 8, 9, 10. I count 10 females and 3 males, which is, at minimum, the reverse of what econometric data and tax policies would have been 30 years ago.

And why is that? Because the opportunities are there and they are being used. When you start talking about the developmental role of day care, don't you start having to ask yourself who is going to do it? What did you say, 40 percent of persons involved have less than a high school education? Isn't that going to be the reality, the continued reality? You don't know, but I'm asking your judgment.

Ms. MAYNARD. I believe it is.

Senator MOYNIHAN. Yes. That is going to be the reality. I mean it just breaks your heart when people start saying, we have to get better teachers in our schools. We're not going to get better teachers. I mean two generations ago, half the Alphas in this country, if they wanted to be professionals, could be a school teacher or a nurse, but they don't have to do that anymore. They can be doctors or professors of economics at Princeton. The former stratification, this basically caste stratification is over.

And so you are going to have to work with what is available. And what is available does not portend a great deal of developmental child care, if by developmental you mean something in the spectrum of trained instruction or trained supervision or whatever.

Am I making any sense to you?

Dr. BARNES. I would like to make one comment. I think labor markets over time do respond, and your point seems to be that the pool of workers from which child care suppliers would be drawn may be at the low-scale end. The fact is the overwhelming proportion of women are going into the labor market. The demand characteristics of child care in the United States is changing, and over the years we may expect the characteristics of the supply of that labor to change in response to the needs of American families and dollars devoted to that particular sector might be offering.

Senator MOYNIHAN. You know, you get very fancy preschool arrangements, too, for a thousand people somewhere, but it doesn't take care of your 10 millions. Isn't that a basic constraint?

Ms. MAYNARD. I think one of the recommendations that you would hear if you had a panel of child care experts or early education experts would be that we can go a long ways towards improving the quality of the care that's provided even in family day care settings if we had more training available to these workers.

The CDA training that is currently used as one of the major training——

Senator MOYNIHAN. I'm sorry?

Ms. MAYNARD. The Child Development Associate training, which is a limited term training program for child care workers could be expanded, could be modified. It would be relatively low cost.

Senator MOYNIHAN. Who is going to get us some information about that? CDA is it?

Ms. HOFFERTH. The National Association for the Education of Young Children here in Washington probably would be one of those to contact.

Ms. MAYNARD. So I think we should look seriously at options for improving the skills of individuals who are going to be doing this family day care work.

Senator MOYNIHAN. How many individuals in the Nation? A million? If you put a number on something you can learn a little more. Is it 1 million?

Ms. MAYNARD. It's probably around a million.

Senator MOYNIHAN. About a million. A million people. Have you ever seen a million people lined up in a row?

Ms. MAYNARD. Well, you may not achieve 100-percent coverage right away, but it may be worth starting.

Senator MOYNIHAN. Ten percent?

Ms. MAYNARD. Pardon?

Senator MOYNIHAN. Ten percent coverage?

Ms. MAYNARD. I don't know.

Ms. HOFFERTH. Some 2.7 million children actually are in non-licensed family day care home type slots, and that at a couple of children per place, that would be around a million.

Senator MOYNIHAN. Yes. I had a million in my head. It's not 500,000 and it's not 5 million.

Ms. HOFFERTH. No. Around 1 million.

Senator MOYNIHAN. Maybe you would have a crack at running the numbers for us, the Urban Institute. Do that and we will get you a grant. Seriously. Give us an idea how many people are we talking about?

Dr. BARNES. How many providers and what their characteristics are.

Senator MOYNIHAN. Right.

Dr. BARNES. Because some of them are obviously going to have characteristics that are higher than you've been discussing.

Senator MOYNIHAN. Of course. I mean there are places on Park Avenue that do this for you, and you get Gestalt psychology thrown in.

Dr. BARNES. You get that everywhere.

Senator MOYNIHAN. Give us the numbers. And then if you can tell us whether there is going to be some elasticity if we get changes in the market, and where are the next people likely to come from, and will it generally continue the pattern or maybe change the pattern?

Questions? Questions?

[No response.]

Senator MOYNIHAN. Even the Senate Finance Committee has been known to have lunch from time to time.

Can we consider this a conversation begun? Senator Packwood, I don't suppose you have appeared before him very often, he is an immensely cordial man but not an effusive one. And what he said he meant. It really did matter to us, the tone of your testimony and the tenor and the content was very helpful, and we'd like to stay in touch with you.

We're going to write a bill. We're probably going to have a bill in this Congress on this subject. The Urban Institute was set up in the context of the 1960's to work on problems of poverty, and you have been very faithful, and Dr. Gorham, to do that. It was just 25 years ago this month that we took the OEO legislation to the

House Committee on Education and Labor, and Bill Gorham was then Assistant Secretary of Defense, as I recall.

So you have been very loyal to that purpose and you have refined it. And we thank you. Mathematica has been a bit of an offshoot of those enterprises, those years, and I am glad to see you have prospered. You certainly have made us think more carefully about these matters.

So, Dr. Hofferth and Dr. Barnes and Dr. Maynard, we thank you very much and we consider this a conversation begun. And, with that, thanking our staff and our indefatigable reporter, the hearing is closed.

[Whereupon, at 1:08 p.m. the hearing was adjourned.]

CHILD CARE WELFARE PROGRAMS AND TAX CREDIT PROPOSALS

WEDNESDAY, APRIL 19, 1989

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The committee met, pursuant to recess, at 10:05 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman of the committee) presiding.

Also present: Senators Pryor, Rockefeller, Packwood, and Danforth.

OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS

The CHAIRMAN. This hearing will come to order, with the full knowledge we may have a vote in a very few minutes; but we have our friend the distinguished Senator from Wyoming here, and we would like to give him a chance to make his statement, and then go on his way to the other responsibilities he has.

Today is the second day of hearings by this committee on child care. Yesterday's hearings really sparked some spirited debate over the issue of tax credits versus discretionary programs as a way of meeting the child care needs of low-income families. We had some interesting discussions of the child care standards issue. I expect our witnesses this morning will continue the debate on the issues, and we are looking forward to guidance from them in trying to determine whether we finally end up with a bill that sets Federal standards, or something that is much more discretionary on the part of the recipient, in the form of some kind of tax credit.

I think there was a general conclusion and agreement that the emphasis on whatever we do has to be on low-income working families, and on trying to assist them in meeting their child care needs.

Yesterday we had several Members of the Senate and the House of Representatives, and we will have some more this morning to start today's hearings. We will also be having Hon. Elizabeth Dole, Secretary of the Department of Labor, who will be appearing on behalf of the administration.

We will be hearing from three expert panels who have come to share their insight and experience in the field of child care.

Our first witness this morning is a former member of this committee, and who left this committee. [Laughter.]

I am not going to comment on your judgment in that regard, Senator, but nevertheless we are very delighted to have you back. If you would proceed.

STATEMENT OF HON. MALCOLM WALLOP, A U.S. SENATOR FROM WYOMING

Senator WALLOP. Thank you, Mr. Chairman.

As your distinguished ranking member said to the question of why you should let me speak here, you didn't let me speak when I was on the committee. [Laughter.]

I rejected that out of hand because, of all the places I was ever treated fairly, I have got to say, sir, it was at your hands. [Laughter.]

I will give you my abject apology in private for all of this, but these two days of hearings on child care continue the work begun last fall by the Finance Committee on this issue.

Last September, you may recall, the committee held a one-day hearing on child care tax credits, at my request, and that was the first hearing by this committee since I had become a member of it a decade ago.

My interest in it, frankly, Mr. Chairman, is the same interest that everybody else has, that my State, as do others, needs child care assistance—the people of my State do. And the ABC Bill will, I think, in fact deny any kind of Federal assistance to the people of Wyoming. They are a rural State.

I cannot imagine how a small town such as Dubois could qualify under the terms and requirements that are contained in the ABC bill and whatever regulations may be written into it, and we are a State composed of small towns such as my own town of Big Horn. It would mean that for any federally assisted day care we had there, the parents of Big Horn would have to drive at least to Sheridan before it was available to them.So, that was the genesis of my interest in it.

Child care issues at the Federal level, at the time we held the hearing last year, had been dormant since the early 1970's, when an appropriately unsuccessful attempt was made to impose Federal standards on day care centers. The resulting public outcry led to a decisive defeat of that misguided attempt.

Historically, the development of child care resources had been the responsibility of parents, of the States, and of the private sector. Federal involvement came to life in 1976, when Congress approved the dependent care tax credit, a credit—as the committee well knows—that is a capped credit and very limited in its impact on child care services.

Renewed congressional interest in broader child care legislation did not occur until several years ago, when Senator Hatch introduced legislation to improve both the quality and affordability of child care. Other proposals such as the ABC Bill were quick to follow.

At the hearing last September, much time was spent on the ABC Bill, and I noticed that the proponents have again appeared with the same arguments on behalf of Federalizing child care. I do not want to dwell on that bill, since it is essentially a problem for another committee. Instead, let me urge the Finance Committee to devote its time to exploring another and more appropriate approach to the child care dilemma—through a tax credit solution.

So there is definite choice between the ABC attempt to establish a national program of institutional child care administered and funded by a Federal bureaucracy, versus the free choice alternative promoted by tax credits. And I would argue that the tax credit is the discretionary—not Federal discretionary but parental discretionary—approach to child care.

In the last Congress I was the original sponsor of a tax credit proposal which expanded child care opportunities. It was an attractive concept, and many variations of it soon followed. Last week we introduced a revamped version of my proposal, S. 761, with Senators Domenici and Durenberger from this committee as cosponsors.

Our legislation embodies several important principles which correct deficiencies in current law and certainly in the ABC approach. Senator Domenici testified yesterday regarding the details of our bill, so let me focus on its four principles:

First, it is based on the idea that freedom of choice is essential to America's families in making child care decisions. This freedom or this opportunity has two parts: The tax credit should be available to all qualified working families at lower income levels, both those in which one spouse works at home as an unpaid homemaker as well as those wherein both spouses have regular employment.

As other witnesses have indicated, the decision of a parent to remain at home has financial consequences—a sacrifice, if you will, for the family. The foregone income of these families obviously lowers their average income as opposed to those families with two working spouses. Our tax credit, therefore, treats both types of families equally, by making both eligible for child care tax credits.

Such credits also promote freedom of choice, by allowing parents to choose, in their view, the most appropriate child care for their children, because options are available from which to choose.

As I have said, our bill allows one parent to provide child care at home; yet, another option is a neighbor, or a relative, or an elderly woman down the street who, having raised six or seven children of her own, is clearly capable of providing adequate and decent child care in the view of a family. Or, clearly, there is institutional child care, as well.

This is in stark contrast with the ABC Bill, which favors institutional care.

Our second principle is that the credit is directed to low and moderate income families. The current credit is absolutely a Yuppie credit, in which virtually all benefits go to two-earner families with incomes in excess of $32,000 annually. Low income working families with incomes just above the minimum wage receive but three percent of the benefits from the current tax credit. The ABC Bill will do little to help those families, since so much of its funds will go to administrative expenses. Only 700,000 children, fewer than the needs of California alone, will be helped by ABC, while our bill will assist some 5 million.

Our third principle, Mr. Chairman, is that we have expanded funding for the State and dependent care block grant. Funds will be provided to the States to improve the accessibility and quality of child care. ABC, as I stated when I opened my remarks, will deny assistance to many in America's rural areas. Accessibility should and will, predictably, decline, not increase, under ABC.

Lastly, there are no Federal standards or mandates in our bill. This committee will not be and should not be the forum for debating to discuss Federal regulations for child care. It is the stage for debating the child care tax credit, which minimizes Federal intrusion in family affairs—a stage wherein the confidence of Congress and the judgment of American families will be the major theme, and not the confidence of Congress and greater government intrusiveness.

The cost of our proposal? About the same as the Bush Initiative, which was based on the bill I sponsored last year. Financing of the new credit? It will have to be decided in the upcoming budget debate, but it will be decided under any circumstances.

I believe we have put together a very useful child care credit, and it is broadbased and efficient. Above all, Mr. Chairman, it is optimistic.

The CHAIRMAN. Thank you very much, Senator.

Do you have any questions?

Senator PACKWOOD. No questions, Mr. Chairman.

The CHAIRMAN. Thank you very much. We appreciate your testimony.

Senator WALLOP. Thank you, Mr. Chairman. It is nice to be back.

The CHAIRMAN. Nice to have you.

Our next witness will be Hon. Rudy Boschwitz, a U.S. Senator, State of Minnesota.

Senator, we are pleased to have you.

[Senator Wallop's prepared statement appears in the appendix.]

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. Thanks, Mr. Chairman.

The CHAIRMAN. As you probably have noted, we have a 5-minute limitation.

Senator BOSCHWITZ. I will try to stay within that, Mr. Chairman. [Laughter.]

The CHAIRMAN. We will expect you to, Senator.

Senator BOSCHWITZ. I have a little different approach to child care, Mr. Chairman, than do some of the others; I take quite a pragmatic approach. I think that most child care providers begin when they have children and decide they want to stay home with them and yet need a second income, so they become child care providers. I want to prevent them from going underground and not reporting the income.

I know that the parent who wants to take the child care tax credit will have to provide the Social Security number of the provider, but even that may not prevent them from going underground. I want them to be licensed.

Minnesota has perhaps the most successful licensing experience of any State. In population, Minnesota ranks 21st among the 50 States, yet in licensed child care providers we are second. So, we do have a pretty good track record, and we have been able to make it work in Minnesota.

It is interesting that the bill that I will now speak about is a bill that has been adopted by the Minnesota Licensed Family Child Care Association.

The CHAIRMAN. Go ahead, Senator, within that 5 minutes, and then we will have to leave.

Senator BOSCHWITZ. Right.

I have been involved, Mr. Chairman, in this whole business for some time because I am the ranking Republican both on the Nutrition Subcommittee of the Agriculture Committee, and also the Small Business Committee. These child care providers really are the essence of small business; they do about $15-20,000 a year in volume.

So I won't sit and roll out a whole bunch of statistics and review all of the details about Minnesota's experiences with child care. I will only say that Minnesota has had a unique experience in the sense that we have the largest number, other than California, of licensed child care providers. We have a pretty good system. And it is my intention, through the bill that I introduced, to see to it that we license child care providers without creating a bureaucracy that really drives them underground, which in my judgment can happen very easily. The bill that I have introduced has several facets to it that make licencing possible.

Again, the best kind of child care, in my judgment, comes when a mother decides to stay at home and take care of her own children, and then, because she needs a second income, brings in three, four, five, six other children. And when her own children are in that home, I think that you have the optimum of child care that people can provide, and also the most economical child care.

First my bill has a refundable tax credit. This feature is now fairly common, but I think that when I introduced my bill in the last session it was the first one to have that.

In addition, the tax credit eventually phases out. If you have one child, my tax credit phases out at an adjusted gross income between $35,000 and $45,000. For two or more children, it phases out between $45,000 and $55,000. In that way we make the refundable portion almost revenue neutral. By making it refundable in the way the President's or Senator Packwood's bills do, it is of course a cost to the Government. But by phasing out the tax credit for those people with higher incomes, we reduce or eliminate much of the cost to the Government.

Second, we provide a tax credit to parents who turn their homes into a child care facility and need to make some improvements in order to come up to a reasonable code—put in another bathroom, or another exit, or do something in the basement. Our tax credit is 30 percent of the first $3,000 of remodeling, 20 percent of the second $3,000, and 10 percent of the third $3,000.

Also—and I think that we are unique in some of these things—my bill expands the child care food program. The child care food program provides about 20 percent of the income for in-home child care providers. The Hunger Prevention Act of last year gave Minnesota a pilot program. Family providers get reimbursed for an additional snack or meal. This is an important element of the program.

If you want child care providers to be licensed, you have to give them something which will not drive them underground.

My bill also has something which probably is outside of the purview of this committee. It is a latch-key program, which would provide $50 million to elementary schools so that they can take kids before and after school; also, a bookmobile program, so that a bookmobile can go to the child care providers home and provide not only books and tapes but some games and additional training for the providers. The bookmobile provisions, I think, are also unique to my bill.

Then we have a provision that provides $10 million to help postsecondary schools—including junior colleges—where people go back for training. When they have small children, having the small children often prevents them, from really going back into college and getting themselves off welfare, for instance.

So, all of these items have one thing in common—they are designed to encourage in-home providers to go into the business, to become licensed, and to stay in the child care business by using the resources of the Federal Government, without creating a large Federal regulatory burden, which I think, again as a practical matter, is going to drive these people underground and keep them from getting licensed.

Our experience in Minnesota is a very, very good one. We have 11-12,000 licensed child care providers. They have rejected the ABC Bill, specifically. They have adopted my bill, or bills like it.

I think that making it possible for women, principally women; sometimes men, who have children to provide a second income for their family is the best way to go. It is also a reasonable way to provide child care at a reasonable expense.

The **Chairman**. Thank you, Senator. We are pleased to have you, and we appreciate your contribution.

Now we will stand in recess here until we have a chance to vote, then we will be back. That should be within the next 10 minutes.

[Senator Boschwitz's prepared statement appears in the appendix.]

[Whereupon, at 10:21 a.m., the hearing was recessed.]

[After Recess]

The **Chairman**. If you will, please cease conversation.

Our first witness, after the recess, will be Hon. Christopher Bond, a U.S. Senator, State of Missouri, who has had a long-time interest in this particular subject.

We are very pleased to have you. Would you proceed?

Senator, since we have a number of your colleagues and several panels of distinguished witnesses, we have asked that the witnesses limit their comments to 5 minutes if they can.

STATEMENT OF HON. CHRISTOPHER S. BOND, A U.S. SENATOR FROM MISSOURI

Senator **Bond**. Thank you very much, Mr. Chairman, and members of the committee.

I want to thank you and commend you for your willingness to hold the extensive hearings that you have held on the very important question of child care in this Nation. I know that you have had extensive hearings, and I welcome the opportunity to participate.

My own bill, the Choices for Children Bill, about which I wish to speak today, does contain one tax credit provision. It was referred exclusively to this committee, so I am here today to talk about the bill, since this will be apparently the chief opportunity we have to discuss it in committee.

As a former Governor, I have been deeply involved in the issues of child care. And while there are many, many approaches—you have heard much testimony—I would like to share some of my perspective on this issue with you.

You have listened very patiently to arguments for the so-called "liberal" approach of the ABC Bill, and the so-called "conservative" approach of tax credits.

I was struck by the tremendous cost involved in both of these approaches, some $2.5 billion—a major commitment, at a time of budgetary constraints, on an untested Federal commitment.

I would prefer and hope that this committee will understand that perhaps we can do a better job, using public money to leverage private dollars to come up with locally-based solutions. We cannot go back to our constituents with the notion that the Federal Government once again is willing to claim an ongoing financial responsibility for a major new social program.

As to the comments were expressed yesterday by Senator Coates, I would support those comments, as I understand they focused on the need to involve the private sector. We have seen many examples of how Federal money can be leveraged to achieve important social needs with the cooperation of private, State, and local funds.

Now, I do not believe—contrary to some of my colleagues on my side of the aisle—that a tax credit to low income families alone is going to solve the problem. As my hometown newspaper, the Kansas City Times, pointed out in response to the President's proposal: "You can't use care if it's not available."

My proposal, which is cosponsored by Senators Danforth, Hatch, and Stevens, contains several provisions designed to increase the availability of child care through Federal seed money for neighborhood child care providers, for extended day programs in schools and, through a business tax credit for both for-profit and not-for-profit organizations, to fund the startup costs and the construction costs for day care facilities.

I do not believe that we should be sending the message that the Federal Government can solve all of these problems with an unending, ongoing pot of gold.

As I have returned to Missouri and talked a great deal about this problem, I have found myself in disagreement with the Labor Department, which issued a report which said there is not a nationwide shortage of child care. We found that a shortage does exist in Missouri.

The Labor Department did say if one exists, it exists with respect to latch-key children. These are children in school who have no place to go after the school day is over—elementary and junior high school students. We believe this is an extremely important area to address because, even under the low Labor Department estimates, there are some 1 million elementary and junior high school students who are unsupervised either before or after school, and I think studies have shown that unsupervised children are far more likely to get into trouble, to do drugs, to do poorly in school, and thus not reach their potential.

As I talked to people in our State, we have come to the conclusion that, given some funding up front for the startup costs, the schools have the necessary infrastructure to develop and maintain quality day care programs at very little if any net cost to themselves and at little or no cost, in the long term, to the Federal Government.

Missouri is one of the very few States which has chosen to use limited discretionary funds to expand the supply of extended-day programs and it has done so to great success. The schools of the Twenty-First Century Program, modeled after Ed Zigler's comprehensive program, show that a small grant to fund start-up costs can develop a program which can be paid for entirely by parent fees. In Independence Missouri, not a wealthy area, the children from low income families are assisted through a sliding fee scale, and the program operates at no cost to the school district.

I believe that Dr. Zigler was right, schools of the 21st century should be the direction we are heading.

I ask that a summary of my bill and a preliminary cost estimate be made a part of this record.

I thank you, Mr. Chairman.

The CHAIRMAN. Senator, that will be done.

That is an interesting proposal, and I think it makes a contribution. We are pleased to have it.

Senator PACKWOOD. No questions, Mr. Chairman.

The CHAIRMAN. Senator Danforth?

Senator DANFORTH. I have a question, Mr. Chairman.

I have been to the Independence schools—you have, also. But would you just explain to the committee what happens? What is this latch-key program?

Senator BOND. Thank you, Senator Danforth.

Very briefly, in Independence and in other school districts we have found that, for a grant of up to $3,000 to help with a survey of need, the purchase of appropriate materials, the initial funding of additional staff to run the programs, we are able to develop through the schools a very effective program.

Now, some school districts may not want to run the program themselves, and they have contracted with YMCA's or other local providers. There are about 30 school districts in Missouri now engaged in this latch-key program.

Probably our most shining example—as I have mentioned and you have mentioned—are the Twenty-First Century Schools in the Kansas City, MO, area, and school districts headed by a husband and wife team of superintendents, the Drs. Henley. They have been able, with a small private grant, to set up the latch-key program for their children. They have found it to be very successful. There have been inquiries from other States. Connecticut, I know, has had many people looking at the program to see how it works.

We find that it meets a very real need for parents. And I might say, parenthetically and personally, were it not for extended day care, my wife and I would be even more heavily burdened with the responsibilities for caring for our second-grade child in the time after schools. It not only meets our needs but it meets the needs of many parents. In Independence, the Platt–R3, and the other districts of Missouri, we think this is the way to go.

The CHAIRMAN. Senator, I appreciate that, and I think that will be helpful to us. Thank you very much.

Senator BOND. Thank you, Mr. Chairman.

The CHAIRMAN. Our next witness is Hon. Clyde Holloway, a U.S. Representative, State of Louisiana.

Congressman, we are pleased to have you.

Congressman HOLLOWAY. Thank you.

The CHAIRMAN. If you would, proceed, sir.

[Senator Bond's prepared statement appears in the appendix.]

STATEMENT OF HON. CLYDE HOLLOWAY, A U.S. REPRESENTATIVE FROM MISSOURI, ACCOMPANIED BY CINDY HENNEBERGER, STAFF ASSISTANT

Congressman HOLLOWAY. Thank you, Mr. Chairman.

Mr. Chairman and distinguished members of the committee, as a sponsor of the Holloway-Schulze Toddler Tax Credit Bill—let me stop and say we introduced this bill on Monday, Tax Day, and already we have over 60 cosponsors, and I feel that we will have more than 100 next week in the House—not only Republicans, but members of the Democratic Party from all sections of the country. So we are very pleased with the progress that our bill has taken in the House already.

I have strong feelings about child care and appreciate the opportunity to testify about legislation which is under consideration by Congress. I wish to address the need we face to pass legislation which best serves the needs of all of our Nation's children and their families, and not to discriminate against the majority of families because of the conscientious choice parents make regarding their children's care.

The first aspect of discrimination which I wish to bring to your attention is one which is central to the ABC Bill, and any; other legislation which is built on the model of directing grants to child care centers instead of to the family.

The only children who can benefit from a policy such as this are those enrolled in non-religious licensed day care centers. Yet, this amounts to only 7 percent of all the preschool children in our country. Why should we discriminate against the other 93 percent?

More than half of our country's preschool children receive full-time care at home by their parents. These parents are making a financial sacrifice in the form of foregone income in order to provide the best quality care for these children. It is unfair to penalize these families by excluding them from any form of assistance. on the contrary, their decision to provide full-time parental care for their children is one which deserves the same level of support as the decisions of other families to hire substitute care.

Another 7 percent of our preschool children are in families in which the parents juggle working hours to that at least one parent will be available to care for the children. These families, too, would be penalized by ABC-style legislation because they care for their own children. An additional 4 percent of the children are cared for by their own parents while working in their homes.

Only a minority of children receive non-parental care on a regular basis; but, even among this minority, most are not in settings which would receive any form of assistance under ABC-type legislation. Eleven percent are cared for by other family members, such as aunts or grandparents, while their parents are at work. Thus, the family is the main child-care agency for three-fourths of the young children of this country. And most people would agree that the family is the highest quality childcare agency possible.

Only one child out of four receives primary care from a non-relative. Yet, even among these children, whose parents have to hire a substitute caretaker, the majority are in informal, non-licensed family settings in the homes of neighbors or friends.

Finally, among the organized formal day care centers which provide primary care for about one child in 10 in our country, at least one-third are sponsored by or based in churches. yet, these church-based child care centers would be eligible for assistance under the ABC Bill only if they forfeit any trace of their religious mission and conduct strictly secularized programs—all the way down to preventing children from saying "milk and cookie" prayers or having or having a picture of the Good Shepherd on the wall.

The ABC style approach not only penalizes those families who make sacrifices to care for their own children but also penalizes those who, by their free choice, decide that the best substitute care for their children would be in an informal family setting or in a religious child care center. American families have made considered judgments about how their children should be cared for. Congress has a duty to respect those parental judgments, not to reward the few at the expense of the many.

Some have judged that the reason why more parents have not freely chosen formal, licensed day care centers for their children is that they cannot afford to make that choice. Yet, the evidence does not support this. Comparative studies have not shown that large, formal day care centers offer better care than smaller, informal settings, and they are certainly not better than families. Nor are formal day care centers significantly more expensive in general, than the other child care options parents may prefer. We have no business subsidizing one type of care to the exclusion of other types, and we especially should not be excluding from benefits those families who choose full-time parental care for their children.

Furthermore, to those who see an ABC-type approach as a means of making center-based care more affordable, I ask: How do you intend to cope with the skyrocketing cost of center-based care, which will be the inevitable result of such a policy?

One of the key elements of this approach is the implementation of nationwide licensing standards, and this will increase the cost of center-based child care enormously. In my own State of Louisiana, it is reliably estimated that it would cost $400 more per year in the increase in child care.

I will try to speed it up and get through as quickly as I can—I only have a couple of minutes.

The ABC Bill, which takes a similar approach, is unsound. It totally ignores the needs of the great majority of the families. The Holloway-Schulze Toddler Tax Credit Bill, on the other hand, provides substantial assistance to all working-class and middle-class families with small children. It does so in a way which enables parents to make a completely free choice about the care of their children.

I would also like to address one other discriminatory policy today. The current Dependent Care Tax Credit contains the same weaknesses as ABC—it discriminates against American families' number-one choice in child care, the parent. This policy ignores the fact that many of the parents who choose to care for their own children are making a great financial sacrifice.

However, the Dependent Care Tax Credit goes beyond this by discriminating against poor families in favor of the more prosperous. A family who can afford to spend the maximum amount on child care gets a much greater benefit than the family who does not have the ability to spend as much.

Congressman Schulze and I have introduced legislation which is fair to all families. Our bill provides up to $1,000 per child for families to use in purchasing or providing care for their preschool children.

The CHAIRMAN. If you could summarize, Congressman.

Congressman HOLLOWAY. All right. I am on the last page.

In short, our bill offers more for less than any bill in the House.

The CHAIRMAN. Thank you, Congressman.

Congressman HOLLOWAY. We appear successful and hope that you all will look. We offer our bill to someone on the Senate side who will choose to sponsor it. We feel it is the best bill out there and available to the public today.

Thank you.

The CHAIRMAN. Thank you very much.

Are there questions?

Senator PACKWOOD. One question.

What is the source of your patterns of child care statistics?

Congressman HOLLOWAY. Well, they are published. Ask the question one more time, sir.

Senator PACKWOOD. What is the source? The reason I ask is, I find all kinds of varying statistics about how many people are at home and how many in licensed day care. I am just curious about what your source is.

Congressman HOLLOWAY. This came from the Heritage Foundation, through a study done. I don't know if my staff member can tell me where the study came from.

Ms. HENNEBERGER. The Heritage Foundation did a study on it.

Senator PACKWOOD. Can I just have my staffer call yours and get that?

What is your name?

Ms. HENNEBERGER. Cindy.

Senator PACKWOOD. Cindy?

Ms. HENNEBERGER. Henneberger.

Senator PACKWOOD. All right. Thank you.

The **Chairman**. There are no further questions. Thank you very much, Congressman. We are pleased to have you.

Congressman **Holloway**. Thank you very much, Senator. We appreciate the opportunity to be here.

[Congressman Holloway's prepared statement appears in the appendix.]

The **Chairman**. Our next witness will be Hon. Elizabeth Dole, who is Secretary of the U.S. Department of Labor. We are happy to have her here.

Madame Secretary, we are very pleased to have you here this morning. We know that you have a very full schedule and many responsibilities, but I am sure this is one that is very high on your agenda and your priorities, this question of child care.

What you have to give us in the way of information and guidance, we will be very appreciative of having, and we are delighted to have you in attendance this morning.

Are there comments?

Senator **Packwood**. No comments.

We are happy to have you here.

STATEMENT OF HON. ELIZABETH HANFORD DOLE, SECRETARY, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY TOM NEUBIG, OFFICE OF TAX ANALYSIS, DEPARTMENT OF LABOR

Secretary **Dole**. Thank you very much.

I am delighted to be with you this morning to have the opportunity to present the administration's proposal on child care assistance for working families. With me is Tom Neubig, who is Director of the Office of Tax Analysis at the Treasury Department.

Mr. Chairman, children are the Nation's most precious resource, one that the American people must invest in wisely. The quality of life of our Nation's families and the continued competitiveness of America in a global marketplace are both dependent on the care we provide our children.

A number of dramatic changes have occurred over the past decade which demonstrate the very real need for a public policy on child care which is sensitive to the tremendous diversity in working families across America.

While almost 30 percent of married couples with children under age 14 remain in so-called traditional families, where one parent stays at home with the children, there has been a dramatic increase in the number of families where both parents work outside the home.

Women have entered the workforce at an astonishing rate in the past several decades. Approximately two-thirds of mothers with children under high school age are now in the workforce in either full-time or part-time jobs.

There has also been a substantial increase in the number of families which are supported by a single parent, with particularly acute needs among low-income families headed by women.

All of these working families have important child care needs, needs that are individual, needs that are compelling, needs that are important to the well-being of the child, the family, and the employer. In responding to the child care needs of working families, the President developed a proposal based on four important principles.

The first principle of the President's proposal recognizes the differing circumstances of today's families and provides a policy which offers parents—the real child care experts—a choice in the child care which is best suited to their needs. Parents are the best judge of quality care and know what is in the best interest of their children.

For those parents who need child care because they work outside the home, again diversity is the order of the day. Parents want choices and are expressing their preferences. According to a 1984-85 Census Report, more than one-half of 26.5 million children under age 15 with employed mothers are in school most of the time their mothers are at work. One million of these are latch-key children. Of the remaining 12.6 million children not in school most of the time their mothers are at work, more than one-half of those—that is, 54 percent, or 6.8 million—are cared for relatives. Some 23 percent are cared for by non-relatives in the child's own home or another home, and 19 percent are in day care centers that include churches, community, and non-profit centers. But people work part-time, they work full-time, night-shift, day-shift, swing-shift—one size does not fit all. Parents seek child care supervised by people who share their values.

As you can see, there is a complex mosaic from which parents choose. The President's proposal is designed to enhance parental choice within that mosaic.

Thus, the President's second principle is that Federal policy should increase, not decrease, the range of options available to parents. The Federal Government should not become involved in licensing decisions, and Federal financial support should not be made contingent upon State licensing decisions.

Let me say right there that, certainly, where States and localities have regulations, we are supportive of what the States feel is necessary, because they are the ones in the best position—States and localities—to determine what is going to work for families. But we are very much opposed to the Federal Government being involved in standards and in the licensing process.

Certainly, churches play a vital role in making child care available. Neighbors, friends, and family members can provide excellent care. Our policy should not discriminate against them as child care providers nor drive them out of the market by imposing federally mandated standards and paperwork requirements on them. Such Federal intrusion will decrease the supply of care and increase costs for parents. Federal policy should expand the range of choices available to parents, not limit them through biasing Federal support toward one kind of care.

The President's third principle recognizes the fact that there are 7.6 million married couples with children today—some 30 percent—in which one of the parents remains home to care for their children. These families care for 7.4 million children under the age of 6, and 7 million children between the ages of 6 and 13.

It is the administration's belief that, in charting a course for public policy in child care, the Federal Government should not discriminate against these families who sacrifice the income of a second career for the mother to stay at home to care for the children. Our tax credit may provide the marginal assistance for the low-income mother who would prefer to be at home with her children, but feels she needs to work to make ends meet. This tax credit may empower her to reach that goal, to be able to choose what she prefers to do, to stay home with her children. This can provide the assistance that could make the difference.

Child care assistance is a concern particularly for those parents who have the fewest resources and thus the fewest choices in making child care arrangements—low-income parents. The President's fourth principle is that assistance should be targeted to low-income families, particularly those with young children.

The Federal Government currently provides assistance to families through five provisions of tax law: the personal and dependency exemptions, the standard deduction, the earned income tax credit, the dependent care tax credit, and the employee exclusion for child care benefits. As I will explain shortly, the President proposes to amend the tax law further to target more assistance to low-income families with children, to help them meet their child care needs. The Federal Government also provides child care services and assistance through a variety of programs, the largest of which include the Social Services Block Grant and child care feeding program.

The newest Federal legislation to respond to child care needs of parents is the excellent Family Support Act, which emerged from this committee. The Family Support Act recognizes that child care is a key for low-income families to become independent of welfare. It provides welfare parents access to child care, to transportation, and to other services necessary to participate in an education or training program or work. It also provides 12 months of "transitional" child care to AFDC recipients who leave the welfare rolls due to work.

In addition to these tax credits and services, the Federal Government provides educational, medical, nutritional, and social services to young disadvantaged children through the Head Start program.

Overall, the Federal Government already spends about $7 billion on Head Start and child care through tax expenditures and more than 40 specific programs and services. As I think you will agree, Federal involvement in child care is broad and responds to a wide variety of needs.

But States, localities, and private employers have also responded to changing demands in the workforce through child care assistance. Twenty-nine States already provide child care assistance to parents through their tax codes. Fifteen States provide resource and referral information to parents and employers regarding local child care options.

The realities of the workforce and the workplace have encouraged some private employers to offer assistance in child care, as well. With the American workforce growing at a slower rate, and business competing for workers, every benefit counts. By the year 2000, women will comprise over three-fifths of the new workforce, and almost half of the workforce will be women. More businesses are beginning, I believe, to realize that child care needs must be met if they are going to compete in an increasingly tight labor market.

A recent Bureau of Labor Statistics survey of work places with 10 employees or more determined that some 61 percent had one or more work practices, such as flexible work schedules and on-site care, which help parents take care of their children.

Employers have responded enthusiastically to a program which the Department of Labor has recently developed. The Work and Family Clearinghouse is a computerized system used to assist employers in identifying the most appropriate policies for responding to the dependent care needs of their employees seeking to balance dual responsibilities of work and family. Such family responsive policies have favorable bottom-line implications for employers, particularly in such areas as productivity, labor-management relations, and the ability to recruit and retain the most competent workers in the projected tight labor market of the future. Information on some 70 successful employer programs can be accessed by businesses across the Nation which are interested in providing child care assistance of their own.

Let me just add that, having looked carefully at that system, what the Women's Bureau is doing there, I think it has tremendous potential of being developed even further, and it can be a very important resource for employers and employees.

Mr. Chairman, I would like to take a few moments now to describe the specific provisions of the administration's proposal, founded on the four principles I described earlier. They contain four distinct parts which together enhance the range of parental choices in child care.

First, the child tax credit. Assistance to low-income families, containing at least one employed parent, would be expanded by making a tax credit available to families with children under age 4. The tax credit would equal 14 percent of earnings up to a maximum of $1,000 per child. The maximum credit would be phased out, initially for families with income between $8,000 and $13,000, and by 1994 for incomes between $15,000 and $20,000. The credit would be refundable and would be effective for tax years beginning January 1, 1990. Families would have the option of receiving the refund in advance through a payment added to each paycheck.

Second, refundability of the dependent care tax credit. The President's initiative recognizes the unique needs of work-related child care expenses by maintaining the current dependent care tax credit. In addition, this tax credit for child care expenses incurred would be made refundable, so that low income families, including those with no tax liability, can get the benefit of the credit. Families eligible for both the new credit and the dependent care credit for the same child could choose whichever of the two credits best benefits and suits their needs. The refundable dependent care credit would be effective for tax years beginning January 1, 1990.

Parents want and need to make important choices about how to best care for their children. Together, these tax credits provide the greatest flexibility for family choice, and put more dollars directly into the hands of low-income families eligible for the credits. The tax credits allow parents to influence the direction of the market.

While some proposals call for considerable government intervention in the market, the tax credit approach is an excellent way to provide assistance without extensive administrative overhead and regulation.

Let me just say that these four principles are very important to the President, and I think, as we look at other proposals, for example, the ABC proposal, it seems to be inconsistent with the principles which we feel are so important, especially with regard to Federal standards, about which we have grave problems and concerns.

Some proposals advocate that our children march lock-step to an institution where Washington sets the rules. But families have the basic responsibility for the care of their children. We must carefully support the role of the family in choosing the best care. The child care needs of working Americans can best be met by providing assistance to parents, not to providers; through State and local regulations, not Federal standards; through community-based and public-private partnerships, not Federal bureaucracies; and by parental involvement, not federally mandated procedures.

Excessive and costly government intrusion is the hardest on those least able to afford its impact—low-income families.

Third, expansion of Head Start, the third principle in the four parts of the President's program. The President also has proposed a dramatic increase of $250 million in funding for the Head Start program. These funds would be used to enroll up to 95,000 more poor 4-year-olds in the program.

Head Start, of course, is much more than child care. However, this expansion would increase the range of child care choices to poor families, while giving their children a better start in life.

Fourth, the liability study. At the President's direction, I have undertaken a study to determine the extent to which market barriers or failures prevent employers from obtaining liability insurance necessary to provide child care on or near their employees' worksites. A working group has been established at the Department of Labor to gather information about the problem on a nationwide basis. And if our efforts uncover significant barriers standing in the way of insuring prospective child care providers, we will certainly recommend possible ways to address that problem.

Mr. Chairman, the administration stands ready to work with you to craft acceptable legislation which is based on the four principles I have outlined today, and I certainly look forward to that opportunity. I hope that we can begin such a dialogue in the coming days.

Thank you very much for this opportunity to present the President's proposal.

[The prepared statement of Secretary Dole appears in the appendix.]

The CHAIRMAN. Thank you very much, Madame Secretary. You presented it in a very articulate manner.

As I look at the cost of the administration's program, it starts out rather modest—some $200 million in 1990. But after that, it escalates quite rapidly, and by the year 1992, the estimate of the administration is that it would cost $2.2 billion. By the estimate of the Joint Tax Committee, it would cost approximately a billion more than that, about $3.3 billion.

Secretary DOLE. Right.

The Chairman. How do you propose that we pay for that? You know, we have got some real budget constraints, and we just had a discussion with the President concerning this.

Secretary Dole. Yes. Yes, indeed.

The Chairman. We have no agreement at all at this point as to how the $5.3 billion in new revenues called for by the budget agreement will be raised.

Secretary Dole. Yes. And certainly, getting this deficit under control is the most important thing that we can do for our children. I am sure you would agree that if we pass on that legacy, we are doing no favors for our children; we are asking them, really, to sacrifice for us, rather than offering them the opportunity for an even better life. So, first and foremost, we must get the deficit under control, and we are certainly committed to that goal.

As the President put together his proposals and sent them to the Congress, obviously he is looking at economic growth and the revenue which that would produce, continuing economic growth. But also, having made some modest reductions in certain programs to allow for those which he considers his top priorities, certainly this proposal would be included in his priorities. This is one of the initiatives which he has accounted for in planning his budget for the coming year and in the outyears as well. He is committed to this goal. He feels that there is a true need, with the number of women who have come into the workforce over recent years, this tidal wave of qualified women which I call "the quiet revolution," as well as the number of families who need some assistance with child care, low-income families.

The Chairman. Madame Secretary, I think we are all in agreement on the objectives and the concern. How are you going to pay for it?

Secretary Dole. Well, again, let me say that I have spoken with Dick Darman, OMB Director, with regard to the recent budget agreement, and he assures me that this is considered within that agreement, that there is room for the child care initiatives. The outlay side has overtaken, of course, the Bush Budget in the agreement, and this is primarily a matter of outlays rather than costs on the revenue side.

So, we anticipate, in that budget agreement, that this child care provision is included, and I am assured of that by the OMB Chairman.

The Chairman. Well, Madame Secretary, I understand what you are saying, insofar as the $200 million is concerned. My concern is, when we are talking about $2.2 billion or $3.3 billion by 1992, where does it come from? Are you talking about just growth in the economy? Or are you talking about additional taxes? Or are you talking about cutting back on other priorities?

Secretary Dole. Well, I think the President has already indicated that we do have to adjust in terms of the priorities that a President lays out as his goals, and this is one of his goals. This is something he is committed to.

So, as we move forward, I think it is accommodated for in the next budget, and this will be one of the priorities that he will want to provide for. Modest cuts have been made in some programs to make room for his priorities for this next budget, and we will contimes to look at how the financial situation can be arranged to allow for priorities, as any President would want to do.

The Chairman. But at this point you don't have anything specific as to the way it is paid for?

Secretary Dole. Well, as I understand from the budget agreement, it is a 1-year proposal that has been agreed to. Dick Darman wanted a 2-year agreement. Senator Sasser and Congressman Panetta were opposed to going beyond 1 year but in section 12 of that agreement it does spell out that, as soon as the budget resolution is taken care of, they will move immediately to the next year.

The Chairman. But at this point you have nothing specific as to how it is going to be paid for.

Now, let me ask you another question on the subject of standards, Madame Secretary.

Secretary Dole. Excuse me. I'm sorry. I just want to be sure that I am understanding. You know that there are a number of budget cuts, as I mentioned twice.

The Chairman. I am quite aware of that.

Secretary Dole. Right. So I hope that is responsive to your question.

The Chairman. I am not arguing with you over 1990; I am asking you about 1991 and what you would anticipate in that regard.

But let me get to another question, with the limitation on my time, and that is the question of standards. I understand the President's very adamant opposition to Federal standards. We had quite a lot of debate here yesterday over Federal standards and State standards.

Now, the spokesman of the Governors, too, talked about the Governors' opposition to Federal standards. But as we probed and listened to him, it appeared that there might be some area of compromise if we talked about some incentives for States to try to improve child care, and possibly moving toward some model standards.

Do you think there is any area of possible compromise there, insofar as the Federal Government establishing model standards?

Secretary Dole. Mr. Chairman, again, I think that, whether it is guidelines, model standards, or something more than that, it requires reams of regulations, reams of paperwork, the floor usually becomes the ceiling. I think it is sort of the camel's nose under the tent, that we are better off to move forward relying on the States and the localities to use their good judgment with regard to what is going to be best. Almost every State at this point does have some oversight of child care. In some cases, the standards are more rigorous than others, but I think the States are fully able to be responsive.

I think that this, as I say, is really kind of starting down a road that we would prefer not to; it usually doesn't end there, with a model or with model standards or guidelines.

The Chairman. Thank you.

Senator Packwood?

Senator Packwood. Madame Secretary, I hope you wouldn't be too quick in trying to figure out how we pay for this in 1991, because it allows everybody else who has a bill that costs about the same amount of money to say, "We will pay for it the same way the administration does."

Secretary DOLE. Right.

Senator PACKWOOD. And so long as that is rather obtuse, we are all under the same tent. [Laughter.]

There are a few—I will give them the credit for courage—who pay for their bills by cutting off the top limit of the present dependent care credit. We went through that in welfare reform last year, and tried to do it, unsuccessfully. I wish them luck, but we did not have any success last year.

Let us go back to the standards. In our work, compromise goes on all the time. There is some talk among the ABC people that they will give in on the national standards—not have national standards per se, but would say the States "shall adopt standards," and they will list four or five areas: class size, educational qualifications of the provider, care giver, child ratios. They don't say 1:5, 1:10, 1:15; they don't say anything on these proposed ratios. Would you be opposed to that?

Secretary DOLE. Senator Packwood, I think it is preferable that we leave the States to determine, without any Federal direction, what they feel is in the best interests of the people there.

Senator PACKWOOD. I agree with you on that.

Secretary DOLE. They are closest to the problems.

Senator PACKWOOD. Can we assume that the President would probably issue a minimum-wage type of veto statement if any bill were to approach the subject of mandated or even suggested model Federal standards?

Secretary DOLE. Let me put it this way: The President feels very strongly about the four principles: that we provide the opportunity for parents to have as many choices as possible; as much diversity as possible in the market, that they choose the kind of child care that is best for their families; that it be targeted to the lowest income, who really need help with that child care; and that the mother who chooses to work at home or who would prefer to if she had a little extra help, the very poor mother, be allowed to do so. Those principles he is wedded to, and he feels very strongly about Federal standards, that that is not the approach, not the right way to go.

He is also very much wedded to the tax approach, because through the tax approach—and I am delighted that there is a great deal of support for that approach in this committee and in the Congress—we can serve more people than we can, say, under the ABC approach.

So, these are the principles that he is supporting and feels very strongly about.

Now, what I would like to do is to leave the message that we want to work with the Congress. And rather than talk veto, I would like to talk child care today. I have laid out the principles, and I hope that message is received, and that we go from here to try to work out with the Congress an acceptable proposal that will get this money flowing as soon as possible to the parents who need it.

Senator Packwood. If you leave so much as a scintilla of an opening that you might accept some kind of Federal standards, you will get there.

Secretary Dole. The President is adamantly against Federal standards.

Senator Packwood. Thank you. I have no other questions.

Secretary Dole. Adamantly opposed.

Senator Packwood. Thank you, Mr. Chairman.

The Chairman. Senator Rockefeller?

Senator Rockefeller. Thank you, Mr. Chairman.

Madame Secretary, in your proposal, the President's proposal, there would be a maximum child care tax credit of $1,000.

Secretary Dole. Right. That is per child under the age of 4.

Senator Rockefeller. Right. And, generally speaking, you could say that day care in this country costs $2,500 to $3,000 a year. My question to you is, why are you confident that the $1,000, which is the maximum which can go to the family, for whatever purpose they may want to spend it on—will actually help families with child care expenses? The $1,000 is a maximum—is that because of the interest in having a low budget figure for the first year, or what?

Secretary Dole. Well, I think there are a number of things that need to be addressed there. First of all, in terms of what the average child care cost is, the Census figures indicate clearly--and this is backed up with other data—that about $2100-$2200 is the number that we should be focused on there. So, our provision would allow just about half of child care expenses.

Now, obviously we do have a deficit, we do have a budgetary problem and parameters that have to be placed on this; so, we are operating within those parameters. But what I would like to point out is that, if we take the ABC provision—let us use that for a moment——

Senator Rockefeller. Madame Secretary, I am aware of that bill. I wanted you to respond to my question.

Secretary Dole. Yes. Our proposal would serve about three to four times as many people, Senator Rockefeller, as that proposal would provide services for—three to four times as many people. What we are concerned about is that every single person up to the income level eventually of $20,000 and immediately of $13,000 in income would receive some help for each child that is under the age of 4.

Senator Rockefeller. And I understand the concept of serving as many people as possible and as many poor people as possible; but, again, I return to the question which I asked, and that is: If there is a maximum of $1,000, and the $1,000 does not by definition have to be spent on children, it just goes to the family—are you confident that this money will help poor families pay for child care?

Secretary Dole. I guess I am not willing to assume that because a family is poor, that somehow they don't have the love and the concern and the care and the nurturing for their children that other families would have.

Senator Rockefeller. Well, I think that is a good and political answer, Madame Secretary; but my question remains: If $1,000 is a top limit, why am I not convinced that $1,000 is enough to really make a difference?

Secretary DOLE. Well, it is half of the amount that a family would have to pay. I think it is important to know that 54 percent of families who make under the income level of $15,000 do not pay in the form of a receipt which could be used, say, for the dependent care tax credit. They do not pay directly for child care—54 percent of those who make $15,000 and under. Now, there may be bartering arrangements, there maybe burdens on the family to engage in certain helpful activities in return for their child being taken care of without direct payment; but I think what we are trying to do is to look at the variety of ways that low-income families take care of their children and provide assistance. And I believe that taking care of half of the amount that they would have to pay, if they are paying cash, is a substantial benefit to those families.

Senator ROCKEFELLER. May I ask one more question?

Secretary DOLE. And their child care may involve——

Senator ROCKEFELLER. If I have time.

Secretary DOLE. All right, I will stop and let you go ahead. Fine.

Senator ROCKEFELLER. On page 7 of your testimony you talk about the Work and Family Clearinghouse computerized system. You say that it "assists employers in identifying the appropriate policies responding to dependent care needs of their employees," et cetera. Now, I think that is a very good idea. I can see that working for larger companies. I am interested, number one, in how do they access into this computer system; and, number two, those companies which are small and medium size and which may not have the computer capacity, et cetera, are they somehow treated differently in this access?

Secretary DOLE. Yes. As a matter of fact, we have underway right now a special project to reach small business men and women. I would be happy to get the details of that to you. This does provide for employers to call to get information, and as I mentioned, I think it has potential for much, much more than it is doing now. I intend to very definitely work to see how we can advertise this, how we can make people aware that these services exist, and work through a number of different channels to raise the visibility of this service, because I think it really can make a big difference. It has an excellent data base.

Senator ROCKEFELLER. Thank you, Secretary Dole.

The CHAIRMAN. Senator, I don't want to limit you if you have any further questions.

Senator ROCKEFELLER. No. That is fine.

Senator PACKWOOD. No more, Mr. Chairman.

The CHAIRMAN. Thank you so much for your testimony. We appreciate it.

Secretary DOLE. Thank you very much.

The CHAIRMAN. It is good to have you here.

Secretary DOLE. Thank you.

The CHAIRMAN. Next we will have a panel consisting of Mr. Robert Dugan, director, office of public affairs, National Association of Evangelicals; and Dr. Richard Land, executive director of the Christian life commission of the Southern Baptist Convention.

If you will, please come forward.

We are very pleased to have you, gentlemen. I am sorry that I have some conflicting commitments, but I am delighted to have you.

Mr. Dugan, if you would, proceed, please.

STATEMENT OF DR. ROBERT P. DUGAN, JR., DIRECTOR, OFFICE OF PUBLIC AFFAIRS, NATIONAL ASSOCIATION OF EVANGELICALS, WASHINGTON, DC

Dr. DUGAN. Mr. Chairman and members of the committee, the National Association of Evangelicals is grateful for the opportunity to testify on the child care issue. NAE is an association of some 50,000 U.S. churches with a constituency of 15 million.

I would like to highlight my testimony and, with your permission, request that the full text be part of the record.

The CHAIRMAN. That will be done.

Dr. DUGAN. There is no question where the NAE stands on this issue. At its annual convention last month, our association unanimously adopted a resolution which early noted the irony that governmental involvement in the field of child care has the potential to undermine the nurturing of children while appearing to solve the child care problem.

Our resolution sets forth three principles: first, that the Federal Government should leave to parents the choice of how to care for their children; second, that the Federal Government should concentrate any child care assistance in the form of tax credits to lower income families and should not discriminate against women who choose to work in the home; third, that the Federal Government should not establish credentials or guidelines for the provision of child care that would favor secularized child care.

These principles clearly imply opposition to the Act for Better Child Care Services and its variants, and, conversely, imply support for a tax credit approach upholding parental choice.

The ABC Bill was greeted with what seemed to be virtually universal approbation. Indeed, the well-orchestrated parade of horror stories and worst-case scenarios achieved the desired effect—an atmosphere of inevitability. Something simply had to be done, we were told, before the child care crisis paralyzed working America. We were left wondering how toddlers had ever managed to emerge unscathed.

Fortunately, the jury is still out on the proper way to handle the child care issue. Our reference to the alleged preschool child care "crisis" indicates that we remain unconvinced. The 1987 Bureau of the Census Report "Who's Minding the Kids" is eye-opening.

But to suggest that the child care crisis may not live up to its billing is not to suggest that all is well on the home front. Legislative initiatives that would lessen the Federal tax burden on the family, like tax credits, are critical.

We oppose legislation that discriminates against the parental choice, often at some sacrifice, for a parent to care for a child at home. It is charitable to characterize as "misguided" present tax policy which denies child care tax benefits to low-income, single-earner traditional families with small children while granting them to two-earner families with double the income.

The tax credit approach seems especially desirable because it preserves, intact, parental choice. To hear some educational expert pontificate, one would think that parents don't know what is best for their children. They do. Parents are way ahead of whoever is in second place as judges of child care arrangements.

The tax credit approach is also to be preferred, because it avoids possible constitutional problems raised by programs of direct aid to church-related child care centers. Government programs that are wholly neutral in offering financial assistance to a class defined without reference to religion do not violate the Establishment Clause, because any aid to religion results from the private choices of individual beneficiaries.

This matter of religiously-oriented child care is reason enough, standing alone, to reject the ABC approach which excludes such care from benefits. Discrimination against parents with religious convictions who entrust their children to church-based child care seems especially unseemly in a nation whose very motto is "In God We Trust."

Apart from the hostility of the ABC approach to church-based child care, we question the wisdom of government as National Nanny

One group not buying a negative view of maternal care at home is an organization devoted to mothers who choose or would like to choose to stay home to nurture their families. Their views on the child care issue are set out in the persuasive report "Mothers Speak Out on Child Care." To ensure that this committee and its staff have the benefit of their insights, with your permission, Mr. Chairman, I would like to see it included in the record.

Senator **Rockefeller**. It will be done.

[The report appears in the appendix.]

Dr. **Dugan**. I hope the committee will note especially what these mothers regard as the common misconceptions about this crisis. Amid all the testimonies and hype, the mother at home seems to be the forgotten woman.

To summarize evangelical conviction:

A tax credit approach does not restrict parental choice to licensed professional care providers while excluding trusted relatives, friends, or neighbors as providers, and thus it is genuinely pro-family.

A tax credit approach must not provide benefits for two-income families while denying them to parents who sacrifice to care for their children at home, to be considered genuinely pro-family.

A tax credit approach not restricted to defined categories does not provide benefits for patrons of commercial day care centers while denying them to parents who, out of conviction, choose religious day care, and thus is genuinely pro-family.

Thank you, Mr. Chairman.

Senator **Rockefeller**. Thank you, Mr. Dugan.

Dr. Land?

[Dr. Dugan's prepared statement appears in the appendix.]

STATEMENT OF DR. RICHARD D. LAND, EXECUTIVE DIRECTOR, THE CHRISTIAN LIFE COMMISSION OF THE SOUTHERN BAPTIST CONVENTION, NASHVILLE, TN

Dr. LAND. Thank you.

I am very pleased to be here as the executive director of the Southern Baptist Convention's Christian Life Commission. I would like to summarize my testimony. It has been submitted to the committee, and I would like to ask that it be made part of the record.

Senator ROCKEFELLER. It will be done.

Dr. LAND. Thank you.

The Southern Baptist Convention is the largest Protestant denomination in the United States. It is composed of approximately 37,000 cooperating churches which have approximately 14.8 million members. The Christian Life Commission, of which I am the executive director, is the agency of the Convention that is charged with the responsibility of expressing to our Nation's leaders particular viewpoints embraced by Southern Baptists on moral and social issues.

The constituency which I serve expresses itself on moral and social issues through resolutions adopted at annual meetings of the Southern Baptist Convention. Our 1988 convention adopted a resolution on child care legislation. While we have had considerable diversity within our midst on many issues in recent years, this resolution was adopted without any apparent opposition being expressed.

The perspective on child care represented by our Southern Baptist Convention resolution is not a proposal, as such, but, rather, three criteria for evaluating proposals. These criteria are as follows:

1. Does the proposal emphasize a tax incentive approach to the problem?

2. Does the proposal emphasize State and local as opposed to Federal regulation?

The regulation of child care is an activity which is best conducted by State and local authorities. To the extent that any Federal regulatory role is developed in the area of child care, a dual system of State and Federal regulation would exist.

3. Does the proposal target the benefits to those demonstrably in need of new assistance?

Various pieces of legislation being considered today have many positive qualities: they will be efficient in delivering monetary relief and assistance to families, they will not require an extensive network of regulation, they will not create a new level of Federal bureaucracy, and they will help keep the focus of child care in the family.

The child care issue is a social issue, but it is first and foremost a family issue. The most meaningful Federal role in dealing with the need for child care is to enable the families of America to care for their own.

One way that many parents choose to prepare their children for the complexities of growing up is to provide home-based child care. These parents believe that the development of values in early childhood will provide a more stable personality as the child matures and eventually enters the public domain of education. Home-based child care is an integral part of this parent-child relationship for many parents. Our social policies, and therefore our tax structures, should make the option of home-based child care as realistic as possible.

Additional tax incentives can in fact provide the option for home-based child care. Parents pay about $3,000 a year per child for care. With the median salary for full-time working women at about $16,200, even modest increases in tax incentives for home-based child care can be adequate to provide the opportunity for meaningful choice.

Almost any approach to child care, if not tied to a tax-incentive approach, would discriminate against and penalize financially those who prefer home-based child care.

To the extent that we do anything new in the area of child care, we must consciously and compassionately do it for those children in families with the greatest need. If a new program is established, the program must be precisely targeted for those families with income levels near or below the family poverty level. I urge you to make a family tax credit the cornerstone of any child care legislation considered.

In my particular constituency, the Southern Baptist Convention, we address ourselves to moral and social issues through the Christian Life Commission. We do not address religious liberty issues and Church-State issues through the Christian Life Commission but, rather, through the Baptist Joint Committee on Public Affairs. The Baptist Joint Committee has submitted testimony. Oliver Thomas, who is General Counsel for the Baptist Joint Committee, of which I am a member, is here today, and I would like to just quote one segment of his testimony, which has been submitted to the committee, concerning tax credit proposals:

"Unlike child care welfare programs, child care tax proposals generally do not raise significant constitutional problems. For example, few would question the legality of the dependent care credit that is available to working parents, regardless of whether the child care they purchase is sectarian or non-sectarian, family- or center-based."

We have heard a lot of testimony about a significant percentage of child care in this country being provided by church-based providers. Any proposal that would go beyond tax credits would encounter significant Church-State problems for many Baptists.

Thank you very much.

[Dr. Land's prepared statement appears in the appendix.]

Senator ROCKEFELLER. Thank you very much, Dr. Land and Dr. Dugan.

I am interested in what it is about the Federal Government that you think is useful with respect to family life or children. For example, I would make the assumption that in nutrition programs there are standards as to what it is that kids can and cannot be served, and that is federally mandated. That is just an example.

Now, when standards come to day care, it is a subject of great controversy, and a subject which I am looking at carefully, myself. I sense in both of your testimonies a real sense of fear about the Federal Government getting involved at all.

I was president of a Methodist institution, West Virginia Wesleyan College, for a number of years and every single building on the entire campus with the exception of the church had been paid for primarily by the Federal Government.

In a sense, what I want is your view towards the Federal Government, where you think it can or cannot make a contribution with respect to children and their care.

Dr. DUGAN. Senator, I do not admit a negativism generally toward the Federal Government; I, myself, once ran for Congress—unsuccessfully, I must add.

Senator ROCKEFELLER. Well, people often do that so they can diminish the effectiveness of the Federal Government.

Dr. DUGAN. Well, my motivation might have been better than that.

But in this area, our chief concern as Evangelicals is that, when government sets standards, it somehow sees a kind of separation of church and State that precludes or at least discriminates against parents who might wish to have religiously-based day care, and that is one of our prime concerns. When it comes to nutrition, of course, that element does not enter in at all. My general spirit is one that favors control of education at the local level as superior and more inclined to meet the needs of the local community, and, by the same criterion, favoring control of day care standards at the local level according to community desires and individual parents' desires, rather than a standardization across the Nation.

Senator ROCKEFELLER. And I understand that.

What would happen, for example, if certain localities were not properly equipped to make appropriate determinations on child care standards?

I can think of several cases where, in fact, quite poor decisions were made, not because they chose to but because they simply didn't have the resources to make good decisions. So many people argue that there should be a Federal "safety net." What that means, I presume, is that at some point there has to be some kind of minimal standards which protect children as a whole.

Now, for the purpose of this question, I'm not saying there has to be a Federal standard. Your confidence is based upon wise and good decisionmaking by the American people in general with respect to day care, and I just wondered if you could philosophically respond—either one of you two.

Dr. LAND. Well, I think if you have a situation of a locality like that, that is why the Southern Baptist Convention resolution, which governs the testimony which I gave, talked about the fact that we express our belief that institutional child care is most adequately regulated by local and by State government, and that within a State you would have a safety net; that unless it could be shown that there was some basic constitutional right that was being deprived a child, which is protected under the Federal Constitution, these things are best dealt with in terms of regulation; that there needs to be basic regulation, but it is best done by those people who are elected at the local level and at the State level rather than at the Federal level.

Of course, on the Church-State question, once you start dealing with direct Federal money as opposed to tax credits, it seems that historically there is an inevitable Federal regulatory role which would present serious Church-State questions.

The example you use of the Methodist campus in West Virginia of which you were president was a very good one, and it is one reason why there have been many controversies among Baptists about whether they should take that kind of Federal assistance, because with it comes constraints—constraints which most Baptists would be very sympathetic to. If you are going to use Federal tax money to build a building, it certainly would put constraints upon what kind of sectarian uses to which it could be put.

But I think, on even a different philosophical level, the question that we would ask is: What Federal question is presented? Is there a Federal question presented? And it would seem to me that, historically, in child care we have made a decision in this country that that is something which is best left to local and State government. And there are certain proposals before the Congress which would vastly expand the Federal role and Federal monetary participation and regulation in child care.

We think that that would be counterproductive, and that the best way that the Federal Government can be involved is by having a tax structure which does not subsidize some mothers at the expense of other mothers and targets assistance, giving the parents maximum discretion in the way in which they would use that assistance, through tax credits, which historically has been dealt with differently by the courts than has direct Federal subsidies or direct Federal grants.

Senator ROCKEFELLER. Thank you.

Senator Packwood?

Senator PACKWOOD. Gentlemen, I might answer Senator Rockefeller's question. There are areas where the Federal Government has a legitimate purpose, and it is not a threat to the independence of thought or to the diversity of morality in this country.

I have no objection to uniform Federal highway standards. I have no serious objection to uniform Federal aviation safety standards. As a matter of fact, I think it would be a step backwards if every State had their own aviation safety standards and we attempted to fly across the country and land.

But where I have great fears is where the Federal Government would have a tendency to impose uniformity of thought. That is dangerous.

Ten years ago in this committee, Pat Moynihan and I fought a 4-year unsuccessful battle to try to encourage the use of tuition tax credits for sectarian schools. Witness after witness said—and you found this especially true of religious schools in inner-cities—they were doing a sensational job educating poor children. Many of them said they could not keep going.

Recently, of course, the Catholic Diocese has announced in Washington that three of their principal high schools are going to close; they cannot keep them open. Pat sent a wonderful and poignant note with the story and said, "We tried to warn them."

There would be nothing better for this country than if we could encourage a thousand religions with a thousand day care centers, each teaching the children that particular religion. That would be safer for our civil liberties than any uniformity that might come from mandated Federal standards, however well intentioned.

You are absolutely right. I have thought and tried to figure, and I have heard the apologists for the ABC Bill try to explain to me, how they can give money to religious day care centers. They cannot constitutionally give money to genuinely religious day care centers. I don't care how they attempt to explain it. And I think your position is absolutely solid: If we do not allow money to be used to encourage—not just to save and hope they don't fail in the next 5 years, but to encourage—the proliferation of day care centers of different religious thought, then in my mind this bill is woefully lacking.

Now, ironically, sometimes I think I am digging my own grave in this, because I often find that many of your adherents are the kind that on occasion come to this Congress and do want imposed some national standards in a variety of areas that I would strongly disagree with, and they do not mind the national standards in some of those areas, even though there are straight-out issues of morality or straight-out issues of thought. But that is an occasion for another debate and another battle.

Lord Palmerston once said—or maybe it was Russell Long; I get them confused——[Laughter.]

Senator **Packwood** [continuing]. That you have no permanent friends in this business, just temporary alliances. And today I find myself happily allied with you. I doubt that will be a continuing relationship, but——[Laughter.]

Senator **Packwood** [continuing]. I am very satisfied with it today, and I appreciate your coming.

Dr. **Land**. Thank you.

Mr. **Dugan**. Thank you.

Senator **Rockefeller**. Thank you, gentlemen, both, very much for appearing. We appreciate it a lot.

Dr. **Land**. Thank you very much.

Mr. **Dugan**. Thank you.

Senator **Rockefeller**. The next panel consists of Gerald McEntee, the president of the American Federation of State, County and Municipal Employees; Ms. Nancy Duff Campbell, managing attorney, National Women's Law Center; Ms. Barbara Reisman, executive director, Child Care Action Campaign; New York.

We welcome all of you. When you are settled, Jerry, we would be glad to hear from you.

STATEMENT OF GERALD W. McENTEE, PRESIDENT, AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, WASHINGTON, DC, ACCOMPANIED BY JERRY D. KLEPNER, DIRECTOR OF LEGISLATION

Mr. **McEntee**. Good morning.

Mr. Chairman and members of the committee, my name is Gerald W. McEntee, the President of the American Foundation of State, County and Municipal Employees, AFL–CIO. I am also a Vice President of the National AFL–CIO and Chairman of a committee of the AFL–CIO Executive Council that was established last February on the needs of the working family.

I want to thank you for the opportunity to testify on behalf of AFSCME's 1.2 million members and the millions of members of the affiliates of the AFL–CIO on a vital issue of concern to working parents—access to quality and affordable care for their young children, when they work outside the home.

Over the last several decades we have witnessed a dramatic rise in the demand for high quality, affordable child care as more and more women with children began working outside the home.

AFSCME's membership reflects these profound changes in the American workforce. Half of our 1.2 million members are women. About 40 percent of our women members have children under 18, and over one-quarter have children under 12. The need and demand for an adequate child care system in this country is clear.

This committee is considering numerous tax credit proposals intended to ease the burden on poor and low-income families. AFSCME supports expansion of the Earned Income Tax Credit and the Dependent Care Tax Credit, but not as a substitute for comprehensive child care legislation.

We believe that expanded and refundable tax credits will provide some financial assistance to working parents seeking out-of-home child care.

However, they will not address a key concern of working families—quality. Nor will they improve our woefully inadequate child care infrastructure. We believe that the only comprehensive child care legislation pending in the Senate is Senate bill 5, the Act for Better Child Care. Only the ABC Bill addresses the three issues of affordability, availability, and quality.

Tax credits do not directly increase the supply of child care, and they do not set standards needed to ensure that quality care is provided.

It seems somewhat ironic to me, all this concern about Federal standards, when just a short period of time ago the Congress enacted and set standards for nursing homes, taking care of our seniors all across the country. We think that the same principle applications should certainly pertain to the children of this country.

Both a recent Lou Harris poll and a voter survey conducted by Peter Hart and Linda DuVal for AFSCME support our belief that all parents, no matter what their income, want access to quality child care. To achieve this, we must develop and enforce Federal standards. We must also raise the status of the child care profession by improving the compensation provided to child care workers.

A recent report of the Task Force on Children of the National Governors Association states that steps must be taken "to increase salaries in the child care industry. Salaries for child care workers are notoriously and artificially low, resulting in very high turnover, which is indeed detrimental to the stability of the centers and the children."

We believe that the ABC Bill is the only legislation before the Senate that will meet the child care demands of America's working families. We hope that the Senate will act soon and act favorably on this legislation.

I want to thank the committee for this opportunity to testify, and at the appropriate time we will be prepared to answer any questions that the committee may have.

Thank you.

[Mr. McEntee's prepared statement appears in the appendix.]

Senator ROCKEFELLER. Thank you.

Ms. Campbell?

STATEMENT OF NANCY DUFF CAMPBELL, MANAGING ATTORNEY, NATIONAL WOMEN'S LAW CENTER, WASHINGTON, DC

Ms. CAMPBELL. Thank you, Mr. Chairman. I am happy to be here today. I am going to summarize rather than read my testimony.

The National Women's Law Center believes that, although several of the tax credit proposals that are pending before this committee would provide important income support to low-income families with children, neither they nor increased Title XX funding can address the fundamental child care problems that these families face.

As we state in more detail in our testimony, nothing less than comprehensive child care legislation that addresses the critical issues of quality, availability, and affordability will help these families and provide them with meaningful assistance.For this reason we support the ABC Bill, which has been carefully crafted to address these issues.

With respect to the tax proposals, there are two tax credits in current law that are relevant to any evaluation of the proposals pending before this committee. They serve different purposes, which must be remembered in comparing other proposals to them.

The Dependent Care Tax Credit serves three purposes:

It recognizes that child care is a large and socially useful expense for working families, and that Government should help families meet that expense, especially low-income families. It promotes horizontal equity in our tax law—that is, it recognizes that families with the same income and family size who have employment-related child care expenses have less ability to pay taxes than families who do not have such expenses but have the same income and family size. Thus, it gives families with employment-related expenses a credit to partially offset their child care expenses, and thereby equalize their ability to pay taxes.

Third, it promotes vertical equity in our tax law. That is, it provides greater benefits to families at the low end of the income scale than to those at the high end.

The earned Income Tax Credit serves different purposes. It was designed to provide low-income families with a rebate on their payroll taxes, because of the regressive nature of these taxes. As such, it promotes vertical equity in our tax system and provides critical income support to low-income working families.

In evaluating the proposals before this committee, we suggest that several criteria be used, which are set out in some detail on pages 4 to 6 of our testimony.

In general, we support proposals that are targeted to low-income families, funded by broadbased taxes, promote tax equity for families with comparable ability to pay taxes, support family choices, and appropriately benefit families of different sizes and with different-age children.

Using these criteria, we evaluate in some detail in our testimony the administration, Packwood-Moynihan, and Gore-Downey proposals.

The Bush proposal improves current law for low-income families, but most of the new tax relief will go to families without employment-related child care expenses. Moreover, the new child tax credit's limitations to families with incomes under $13,000 and children under age 4 are quite restrictive, since, clearly, other low-income families are in need of income support.

Finally, the new credit is far too inadequate to provide families with a meaningful assistance in paying for child care if they wish to work in paid employment, or to provide a substitute for lost wages if they wish to stay home and care for their children.

The Packwood-Moynihan proposal amends the Dependent Care Tax Credit so that all families with incomes under $27,500 will get an increase, with those under $12,500 receiving the most. So, it reaches families of a broader income range and with older children than the Bush proposal. But they must have child care expenses to be eligible for the increased benefits.

In fact, in a departure from the current law, it regrettably provides none of its increases to families with adult dependents. And even for families with child care expenses, it does not provide enough of an increase to begin to meet the cost of child care for the lowest-income families. Its maximum increase of $240 for a low-income family with one child won't buy the care that averages approximately $3,000 per child.

The Gore-Downey proposal increases the Dependent Care Tax Credit more than the Bush proposal, but less than the Packwood-Moynihan proposal, for families under $21,000. It increases the Earned Income Tax Credit more than the Bush proposal and makes it available to more families. But families under about $10,600 with children under age 4 would do better under the new Bush proposal combined with the current earned Income Tax Credit. Thus, the Gore-Downey proposal is not as targeted to low-income families as these other proposals. However, it is commendably funded by raising the tax rate on the highest-income taxpayers, and it promotes horizontal equity among families with different expenses and different sizes.

In sum, all of these proposals are an important improvement on current law in promoting income support to low-income families with children. But we need ABC to address the country's critical child care needs. These proposals cannot be seen as a substitute but can only supplement that important legislation.

Thank you.

Senator ROCKEFELLER. Thank you very much, Ms. Campbell.

Ms. Reisman?

[Ms. Campbell's prepared statement appears in the appendix.]

STATEMENT OF BARBARA REISMAN, EXECUTIVE DIRECTOR, CHILD CARE ACTION CAMPAIGN, NEW YORK, NY

Ms. REISMAN. Thank you. I would like to echo what my colleagues on this panel.

The Child Care Action Campaign, which is a coalition of leaders from corporations, the labor movement, academia, and the media, supports tax credits, the kind that are under consideration by this committee, as a way to increase the incomes of poor families. But we also support a comprehensive approach to expanding and improving the child care system, as well as making it more affordable, and we endorse the Act for Better Child Care as the best current approach for doing that.

I would like to harken back to some of the points that the Secretary of Labor raised this morning, when she talked about the need for an investment in our children. We expect such an investment to produce four major kinds of benefits, both for our families and for our economy.

We expect an investment in child care to (1) give young children the nurturing, social, and educational experiences they need to succeed in school and to succeed in later life; (2) to reduce welfare dependency and poverty by enabling mothers of young children to work, knowing that their children are well cared for; (3) to improve U.S. competitiveness and productivity by reducing the stress and anxiety parents experience when they are worried about the quality of their child care, or, as is too often the case, when one of their multiple arrangements breaks down; and (4) we expect an investment in quality child care to mitigate the effects of the labor shortage by attracting more mothers of young children into the labor force, or by enabling parents to work longer hours because they have child care available to them.

I would submit that none of these benefits will be available to us if we do not invest in "quality" child care. There are ample studies by the Census Bureau, and by research institutions both locally and nationally that show that none of these benefits are available unless quality child care is the option that parents have as a choice.

We believe that the current proposals to expanding existing tax credits are an insufficient response to the child care crisis, for four reasons:

(1) The proposed tax credits don't bridge the gap between what poor parents can pay and what quality child care costs; (2) The credits do not encourage or ensure the provision of quality care; (3) They do not create more child care in any direct fashion; (4) And they are not the most efficient or effective way to give money to meet the child care needs of low-income parents.

On the quality issue, I think there are a number of recent surveys that really highlight this issue.

In the Philip Morris funded survey by Lou Harris and Associates, which is a nationally-representative survey, only 10 percent of the respondents surveyed think that children are currently getting the quality child care that they need.

The Child Care Action Campaign's own national advisory panel, which consists of 100 leaders from each of the States: 70 percent of the respondents to our survey say that current programs are not of sufficient quality.

I would just like to highlight a few additional points.

On the Tax Credit, I know the committee and many members of the Senate are very enthusiastic about the benefits programs like

Head Start, for example, have produced. If, instead of creating the Head Start program 25 years ago, we had proposed that we provide tax credits for parents to enable them to go out and buy Head Start-like programs on the open market, I would submit that we would not have the kind of benefit from Head Start that we currently can show.

I would also like to suggest that the history of Federal involvement in child care in the past 10 years illuminates some of the problems with an exclusively demand side approach to this problem.

Between 1976 and 1986, Federal spending for child care through the Dependent Care Tax Credit has increased nearly 300 percent in real dollars. The Dependent Care Tax Credit now accounts for close to two-thirds of all Federal spending on child care. Yet, the problems that families, particularly poor families, have in finding and paying for quality care continue to increase.

I would like to end by saying there has been a lot of discussion this morning, and we hear a lot of discussion, about the importance of public-private partnerships. What we usually mean when we say this is that the private sector needs to be more involved in improving and sustaining the child care system. But employers are telling us more and more frequently that the child care infrastructure needs to be improved so that they can find a simple and effective way to make an investment in it.

I have one example to give to the committee. There is a drug store chain in upstate New York, called Fay's Drugs, that wanted to give all of its employees a $15 a month child care voucher to help them pay for child care expenses. They were able to institute this program in only one county in upstate New York, because the program could not work effectively without a resource and referral service in the community. And since that resource and referral service existed in only one of the counties in which they did business, they were able to provide this benefit to only to those employees in that county.

I will close by saying that I hope we will not mask the substandard level of quality in available care that exists in this country by addressing the child care crisis only through the Tax Code. We need to use Federal dollars to invest in an infrastructure that will help provide families with the choices they need for child care, and help to make the kind of investment in quality child care that our children need.

Thank you very much.

Senator **ROCKEFELLER**. Thank you, all of you.

[Ms. Reisman's prepared statement appears in the appendix.]

Senator **ROCKEFELLER**. Ms. Campbell, in your testimony, on page 1, you say that "The quality of care is often so poor that it threatens the health, the safety, and well-being of children." What type of evidence do you have for that, as opposed to, let us say, anecdotal evidence? One of the witnesses yesterday said that, for the most part, for child care throughout this country as it exists now, the quality is basically pretty good. And then, what do you describe as "good?"

Ms. **CAMPBELL**. Well, I don't know if I can answer all of that, but I should say that I think, in addition to sort of anecdotal evidence, we have specific examples of situations where children have been injured in care, where there were too many children and too few providers. It is the situation of the child who fell down the well last year, who was very prominently displayed on national TV.

We have situations. We have a great deal of variety in the number of States that have regulations.

Senator ROCKEFELLER. I understand, but I must interrupt. Your words are "often," and often means not from time to time. It is either close to 50 percent—it is certainly over 33 percent.

Ms. CAMPBELL. Well, I think the question first is what you mean by "threatening," of course. The fact that 42 States don't require family day care providers to have any training at all, even in first aid, I think threatens the care of children in those homes. Yes, maybe they do know how to do first aid for a child. Maybe if a child stops breathing, they know what to do. But I am not convinced that when 42 States don't have any training, that there isn't a situation where those children are threatened. I mean, I think we have to build our data on what are the standards that States have and whether we think those standards are suitable.

The fact that many States don't permit parents to come into a center whenever they want to, have unlimited parental access to centers, is very strange to me. I don't know why States don't do that, but I think the parents should have a right to observe their children and the kind of care they are getting while the care is being given.

Senator ROCKEFELLER. And why is that?

Ms. CAMPBELL. Because I think, just as Secretary Dole said, that parents know a lot about their children and the kind of care that they need, that when they come into a center and see that people are not washing their hands after changing diapers, they may be somewhat alarmed about the care that they are receiving.

Senator ROCKEFELLER. But that describes a situation in which the parent comes in to protect their child, as opposed to what I thought you were implying, a constructive role that a parent might play.

Ms. CAMPBELL. Oh, no. I meant that parents, obviously, when they are working can't come in really and help provide the care in most instances. But the notion that they can monitor a situation where the State itself hasn't set standards, at best their monitoring can only be done if they can get in there and see what is going on. So, I am responding in part to the arguments that were made this morning, that parents know best what kind of care they have. But caring parents have to be able to observe that care in order to make that judgment, and the fact that States do not permit that kind of access, I think, threatens those children.

Senator ROCKEFELLER. Are there manifold examples? Again, you have used the word "often," and you have used the word "threatening," and now you have talked about States not having standards. That doesn't mean that individual child care centers wouldn't have standards, based upon whoever might be running those places.

Now, again, what is it that makes you use the words "often" and "threatening" simply because there is a lack of something called State standards or Federal standards?

Ms. **Campbell**. Well, it is a conclusion that I reach from that, obviously, and people can agree or disagree with that conclusion.

But I think that in other areas of regulation such as those that Senator Packwood referred to before, the airline safety regulations, the automobile regulations—yes, you may not be threatened if you are not riding around wearing your seatbelt or if the State doesn't require you to do that; but we have made judgments after certain numbers of incidents that the time had come to make certain requirements of these kinds of providers. And in this instance if we are going to give Federal money, the question is whether we want the Federal money to be tied to certain kinds of things that we think do promote and do tend to lessen this kind of threat.

It is a conclusion that I am drawing that you might not share.

Senator **Rockefeller**. And I understand. I am just trying to—yes?

Mr. **McEntee**. Could I say something?

Senator **Rockefeller**. Sure. But I would like to get, from anyone who wants to give it, a description at some point of what you think "good quality" is.

Mr. **McEntee**. I am not an expert and I am not a psychiatrist, but I have listened to some psychologists and psychiatrists discuss this issue. It is not just a physical harm that can come to these children but indeed psychological harm that can come to these children over a period of time.

The whole bonding issue is so critical and necessary, particularly in the formative ages. Children utilize child care in terms of being young. I guess when I think about it, it is somewhat analogous to how hard we fought, for example, to reduce class size in this country.

I remember years ago when you used to go to school and maybe there would be—I remember when I was in first grade, maybe early in the 18th century, 85 kids in the room. So many people fought to reduce class size because, indeed, they found out that class size in terms of the education and psychological implications could have a harmful impact on children. We are told by psychiatrists that the same things can happen in terms of child care.

When we have States that have, for example, no child-care ratios in terms of staff, when we have staff that receive no training at all—we don't even know in so many States, in so many cases, even though most of them have some kind of guidelines, some of them are awfully loose in terms of guidelines—we don't even know what goes on in some of those centers. We don't understand the ratios. We don't know the ratios. We don't understand the implications of this lack of training. In so many States you don't even need a license; you need a license to drive a car, but you don't need a license to take care of some kids in a child care center. I think that is as important as a pilot, getting his license. They take care of people in the air, and these people take care of kids for a good part of the day, day after day.

I think it is not just a physical situation; but, in listening to these people, it can have deep psychological overtones as well.

Senator **Rockefeller**. And as to the matter of how you interpret it, what is the bottom line necessity for good quality care?

Ms. Campbell. Well, I don't know that I have, myself, the bottom-line necessity here today; but I think there is sort of an assumption in this area that, because we are talking about children, and many of us are parents, that we sort of, ourselves, are always expert in what they need. And clearly parents are the most important ones, as I said before, in relating to their individual children's needs; but there is a whole body of experts that have presented testimony before other committees of this body about what the standards should be, and there is a great deal of consensus on what child-staff ratios should be, which I think is an important component; on what group size should be, which I think is an important component, and on basic health——

Senator Packwood. Did you say there is a consensus?

Ms. Campbell. I think there is a great deal of consensus. There is some disagreement, but I think there is a great deal of consensus among experts. There may be some variation within that, but usually they state that in terms of the variations.

So I think it is not an area that is that unlike other areas where there have been regulations before. In fact, the ABC Bill itself foresees a process whereby you will call together many different kinds of people, including people in the States, and parents, and through a consensus process come up with standards that are basically set at the median, on key issues, of where the States are now.

So, the legislation that we support envisions a process, and I think there are people we can call on to help with that process. To me, it is basically group size, child-staff ratios, and some basic health and safety standards like hand-washing and making sure that children have immunizations from communicable diseases.

Senator Rockefeller. Senator Packwood?

Senator Packwood. One, Mr. Chairman, I would ask unanimous consent that Senator Heinz might be permitted to ask Secretary Dole to answer some written questions.

Senator Rockefeller. Of course.

Senator Packwood. Two, this is a question for Ms. Campbell from Senator Moynihan:

Ms. Campbell, you wondered how many day care centers or neighborhood day care homes there are where the givers have first aid training. Senator Moynihan wants to know if you know how many parents have first aid training.

Ms. Campbell [laughing]. No, I do not.

Senator Packwood. So, you may not have any valid comparison as to whether the child is better off at home or in the center. You just don't know?

Ms. Campbell. Well, I think that obviously most people have concerns about where their children are during the day and feel that the judgment of a provider may require some more regulation and some more standards than their own judgment. The State may not want to make that distinction.

Senator Packwood. The third question: You indicated that the Packwood-Moynihan bill has no provision for parental dependents, which is true. Neither does the ABC bill, does it?

Ms. Campbell. No, but the ABC bill is an attempt to create a new freestanding piece of legislation to deal with child care.

Senator Packwood. I understand.

Ms. **Campbell**. The Packwood bill is an amendment to the current Dependent Care Credit, and essentially it is not an amendment that extends its benefits fully.

Senator **Packwood**. But neither bill expands elder credits, any kind of credit available for individual——

Ms. **Campbell**. No, that is right.

Senator **Packwood**. Fourth, the ABC bill last year had 10 percent for administration and 15 percent for increased supply, and quality, and then 75 percent direct assistance to families, right?

Ms. **Campbell**. Yes.

Senator **Packwood**. This year it has 8 percent for administration, 10 percent for provisions to increase quality, 12 percent to increase supply, and 70 percent direct assistance to families. Correct?

Ms. **Campbell**. You had better say it again. It is true that 70 percent is the direct supply money, and the infrastructure money has been changed a little bit.

Senator **Packwood**. Yes. We have gone down from 75 to 70 percent on direct assistance to families.

Ms. **Campbell**. Right. That is correct.

Senator **Packwood**. Okay. And in terms of administration, 8 percent. Provisions to increase quality can be, really, within reason—anything the State thinks will increase quality. It can be inspections, it can be information sent out, it is pretty much in their discretion as to how they spend the money.

Ms. **Campbell**. There is some listing of areas.

Senator **Packwood**. As examples.

Ms. **Campbell**. Yes, that is correct.

Senator **Packwood**. And on the provisions to increase supply, there are suggested examples like Presidential Award Programs for progressive employers, information and technical assistance for employers, business participation in rest and relaxation programs, as examples of what that 12 percent to increase supply could be used for.

Ms. **Campbell**. Yes, but there are also other examples, such as providing more training for providers, and giving grants and loans.

Senator **Packwood**. But it is pretty much up to the States as to how they spend the money.

Ms. **Campbell**. That is correct.

Senator **Packwood**. Then of the remaining 70 percent, the State is supposed to use it for direct assistance to families; but it is pretty much left in the States' discretion as to what direct assistance is. They can buy slots, they can have vouchers, or they may come up with some other idea that might fit within the definition of "direct assistance."

Ms. **Campbell**. As to the form, yes.

Senator **Packwood**. Yes. They are not compelled to have vouchers.

Ms. **Campbell**. That is correct.

Senator **Packwood**. If they do not have vouchers, how do they get direct assistance to genuine sectarian "I'm-going-to-teach-religion" day care centers?

Ms. **Campbell**. I don't think the bill permits that, through vouchers or any other way. The bill's provisions on Church-State say that none of the money can be used for sectarian care.

Senator **Packwood**. I understand that.

Now, you will recall when you and I appeared back to back on a television program. I made the statement that the ABC bill cannot be used to provide for religious day care centers. I then left and went home to my family. I have since seen the tape and have seen the transcript. You excoriated me and said I was misleading the public for making that statement.

Ms. **Campbell**. No, I don't think I did say that, Senator. First of all, I didn't even respond to your statement; it was another member of the panel who responded.

Senator **Packwood**. I know. A question came in. But you are convinced that there is no way you can give aid to religious day care centers under the ABC bill?

Ms. **Campbell**. No, that is not correct.

Senator **Packwood**. Oh. Tell me.

Ms. **Campbell**. The ABC bill permits aid to go to churches or synagogues, or other kinds of religious providers. It does not permit it to go to those kinds of providers for sectarian care.

Senator **Packwood**. Well, let me rephrase it.

Ms. **Campbell**. That is true. In response to a question I did say that I thought you were inaccurate in saying that the ABC bill could not go to religious providers.

Senator **Packwood**. It cannot go to providers that teach religion.

Ms. **Campbell**. That's right. Well, they can teach religion somewhere else, but they can't teach religion in——

Senator **Packwood**. All right. They cannot teach it to the children in their day care centers.

Ms. **Campbell**. Correct. That is correct.

Senator **Packwood**. All right. And you don't even think that can be done under vouchers?

Ms. **Campbell**. Well, I think there is some conflict in the law, that basically the gentleman who testified just before us talked about the use of vouchers in public schools and in other case law where vouchers have been permitted to go for sectarian care. So, I don't have a position on the law one way or the other. I think the courts have permitted it.

Senator **Packwood**. I think you are probably right. I'm not sure if you could or could not under vouchers, but there is no guarantee the States have to have vouchers anyway.

But there is no question—is there?—that, in terms of a tax credit, it is used now in sectarian day care centers, and that is constitutional.

Ms. **Campbell**. Yes. I think, if the distinction that you were making, and for which I was excoriating you, was that under a tax credit approach you can have a voucher, and it appears within the relevant caselaw, that vouchers can be used for any kind of care including, specifically, sectarian care, but that that could not happen under the ABC bill, that is correct. The ABC bill has vouchers, but they cannot be used for sectarian care.

Senator **Packwood**. Even the vouchers cannot?

Ms. **Campbell**. That is correct.

Senator **Packwood**. So, if you wanted to have a guarantee of sectarian care, you would have to use a tax credit approach.

Ms. **Campbell**. Or amend the ABC bill [laughing].

Senator PACKWOOD. Would you support that?

Ms. CAMPBELL. No.

Senator PACKWOOD. Thank you.

I have no other questions, Mr. Chairman.

Ms. CAMPBELL. I am sorry that we are not permanent friends on this, but only temporary alliances. [Laughter.]

Senator PACKWOOD. Hopefully, on other issues you will be back in my camp again.

Ms. CAMPBELL. Or you in mine. [Laughter.]

Senator PRYOR. Senator Packwood, I think I got here just at the opportune time, I will say that. This has been fascinating, these few moments.

I apologize for not having participated in these 2 days of hearings. I have heard nothing but very, very favorable statements, really on both sides of the issue, about the quality of the hearings and the statements of the individuals who were representing the various groups and the panels, and I want to thank this panel for coming.

I don't know exactly how much time you have expended. I have been asked by Chairman Bentsen to come over and pinch hit, or become the catcher, let us say, whatever the case may be, for a few moments.

I am asking the panel right now, are there any other final statements that you would like to make before you are excused and we call the final panel?

Ms. REISMAN. I would just like to add to Ms. Campbell's illumination of what "quality" means. I think there is fairly broad agreement on what those elements of quality are that we can articulate in some quantitative sense. There is some range among the experts and I think among parents themselves, but I think there is fairly broad agreement within a fairly narrow range on:

(a) Staff-child ratios; (b) Group size; (c) The need for training and consistency of providers, which means they have to be paid a decent income; (d) The fact that parents need to have access to the programs, which is not the case in over four-fifths of all the States' regulations that currently exist; and (e) Basic health and safety issues.

Those are five simple areas. We are not talking about a highly technological problem here; we are talking about a fairly simple approach.

Senator PRYOR. Thank you, Ms. Reisman.

With that said, I would like to thank the panel on behalf of the committee. You are excused. We appreciate your testimony. It has been very constructive.

Mr. MCENTEE. Thank you very much.

Ms. CAMPBELL. Thank you.

Senator PRYOR. We would like now to call the remaining panel. That panel is going to consist of Ms. Maureen Dermott, Mark Walsh, and David Russo.

I will state to this panel that it is my understanding that each panel has been given a 5-minute window of opportunity to make their statement, and then the red light goes on, and we will have 5 minutes, generally, of questioning from each of the members of the committee to the individual panelists.

Maureen Dermott is the region 7 manager if Kinder-Care Learning Centers, Inc.; Woodbridge, VA. Mark Walsh is the president and owner of Apple-A-Daycare Centers, Inc., and member of the board, National Child Care Association; Fairport, NY. David Russo is director of human resources, SAS Institute, testifying on behalf of the American Society for Personnel Administration; Cary, NC.

We will first call on Maureen Dermott.

We appreciate your attendance today.

STATEMENT OF MAUREEN DERMOTT, REGION 7 MANAGER, KINDER-CARE LEARNING CENTERS, INC., WOODBRIDGE, VA

Ms. DERMOTT. Thank you, Senator Pryor, and thank you, Senator Packwood.

My name is Maureen Dermott. I am here today on behalf of Kinder-Care Learning Centers, Inc., the largest proprietary center-based child care provider in the United States. We were founded exactly 20 years ago. Kinder-Care now operates over 1,200 centers in 40 States. We have 18,000 employees.

Senator PACKWOOD. Can I ask a question? Are you franchised, or are your centers all directly run by the company?

Ms. DERMOTT. We are over the counter.

Senator PACKWOOD. Thank you.

Ms. DERMOTT. Sure.

Our 18,000 employees provide quality child care to over 120,000 children every day. To date we have provided care for over 1 million children.

As a Region Manager for Kinder-Care, my territory extends from Baltimore, MD, in the North, to Virginia Beach in the South.

I started with Kinder-Care 8 years ago as the founding director of the Children's Center at Walt Disney World in Orlando, Florida—Kinder-Care's flagship venture into corporate-sponsored care. Today I am responsible for more than 70 centers in the Greater Washington area. In addition, I also happen to be the mother of a 6-year-old son, who does presently attend Kinder-Care's after-school program, and I should just mention he has been in group care since about 10 months of age.

I speak to you today having a variety of experiences from several vantage points. Over the past 8 years I have worked in the child care industry in the States of Florida, California—which encompassed Nevada and Utah in that region—and New York. I have worked in both proprietary and not-for-profit settings, and I have had extensive involvement with State licensing agencies in each of these States.

I would like to stray from my testimony for just a moment to address three items that were mentioned by the previous panel.

The quote was that "some States have no child-staff ratios," and just for the record I would like to enter that I happen to have with me the day care centers child-staff ratios for every State. I would like to submit that to the committee.

Senator PRYOR. That will be so ordered.

Ms. DERMOTT. Thank you.

[The information appears in the appendix.]

Ms. **Dermott**. Second, I would like to make reference to the child who fell down the well in Texas. I would like to have it on the record that, in that circumstance, that is an example of a child attending an unlicensed family day care environment, and I think that is very valuable for this committee to take into its considerations.

The other item that I would like to mention regarding this was the concern over an open-door policy. I would like to say, as a representative of Kinder-Care, we are very proud of the fact that we have a very clear open-door policy and always have, and it really did not take State licensing to require that. But I would like to give credit to the State licensing organizations that I have worked with in seven different States. They all require open-door policies.

Lastly, I would like to refer to the inference or the example that was given of lack of CPR training given in facilities. Again, I would like to just go back to the fact that I think we are underestimating what a good job State licensing agencies do across this country. They have a very important role, and they are very, very successful and very dedicated to what they do. Of the States that I have worked in, off the top of my head, I would say certainly four of those seven actually do require CPR training.

So, what I would recommend to you is that I sincerely hope the committee takes a very close look at what the States already are doing in the way of providing quality care.

Again, thank you for allowing me the opportunity to testify, and I will get back to my script.

First I would like to outline our specific recommendations for any Federal child care legislation. Next, I would like to elaborate on why we believe a tax credit/block grant approach is the most efficient and effective way to assist working families with their child care needs. Finally, I will address why we believe the committee should concentrate on the question of affordability.

We recommend that any Federal child care legislation:

First, increase the Dependent Care Tax Credit for low and moderate-income families.

Second, make the credit refundable, and allow for forward funding or negative withholding.

Third, phase out the credit for those households with adjusted gross incomes above a certain level.

Fourth, provide additional incentives to businesses to provide child care assistance to their employees, emphasizing assistance that does not discriminate against proprietary child care industries.

Last, make grants to States for child care through the Social Services Block Grant or the Dependent Care Planning and Development Program.

Utilizing the Tax Code offers three principle advantages as a means of Federal support for child care costs. First, it ensures that parents choose what child care services their children use. Second, the program wastes virtually no money on administrative costs. And third, the assistance can be targeted to those who need it most.

Why should the emphasis be on affordability? The child care debate is focused on three factors, as you have heard throughout these hearings—availability, affordability, and quality, or, more appropriately, the lack of these. But what some of the demographers and social scientists and advocates seem to forget is that, really, to a large degree, these factors are interdependent.

Let us take child care staff ratios, for example. That is the ratio of children to an individual caregiver. If you decrease the child care staff ratios, you increase costs. These increased costs, in turn, lead to decreased availability. It is as simple as that.

The next question you have to ask yourself is: Knowing these factors are interdependent, which is my biggest concern? From my experience as a mother, a child care center director and a manager, I am convinced that your greatest concern should be with affordability. Why affordability? Why not quality or availability? Because in most cases quality child care will be available to working parents who can afford it. I am not saying that quality is not a problem in some areas, and I am not saying that quality child care is readily available everywhere—it isn't. But I am saying that affordability by and large is a much more pressing concern.

Let us take a look at the misconceptions involving availability and quality.

First, availability: We are told over and over by the media and advocacy groups that there is a crisis in the availability of child care in the United States today. While there are definitely pockets of shortages, there is no evidence that there is an acute nationwide shortage of available child care. In fact, there is evidence to the contrary.

"Child Care Information Exchange," the trade publication, has reported that across the United States there are currently two licensed child care slots for every child care center.

Now, let us look at quality. Again we are told over and over that we need Federal standards to ensure the safety and health of the children in child care—this, despite the fact that all 50 States already have standards which reflect the economic realities of their State.

Looking again at the child-staff ratios. With the possible exception of two States, these ratios are more than adequately safeguarding the health and safety of the children cared for in licensed child care, and the trend is clearly toward stricter standards within all States.

Senator **Pryor**. Ms. Dermott, I am sorry, but the time has expired. Your full statement will be placed in the record. We appreciate your statement. We are going to allow the other two witnesses this morning to make their statements, and then Senator Packwood and I may have a few questions.

Ms. **Dermott**. Thank you.

Senator **Pryor**. We certainly do appreciate your statement.

Mr. Mark Walsh?

[Ms. Dermott's prepared statement appears in the appendix.]

STATEMENT OF MARK A. WALSH, PRESIDENT AND OWNER OF APPLE-A-DAYCARE CENTERS, INC., AND MEMBER OF THE BOARD, NATIONAL CHILD CARE ASSOCIATION, FAIRPORT, NY

Mr. **Walsh**. Senator Pryor, Senator Packwood, thank you.

Thank you for the opportunity to appear before you today on behalf of the National Child Care Association. My name is Mark Walsh. I own five child care centers in Rochester, NY, and I currently serve as president of the New York Child Care Association. Recently I was appointed to the Governors Advisory Committee on Child Care by Governor Cuomo.

As a member of the board of directors of the National Child Care Association, I am pleased to bring the concerns of this young, growing, and viable industry to your attention, and maybe a different perspective, because I am currently on the front lines of child care.

The National Child Care Association was formed as a federation of State associations representing proprietary child care centers and preschools. Our membership is predominately comprised of taxpaying small business proprietors of single-center operations.

It has been estimated that the proprietary sector of the child care industry supplies some 40 to 50 percent of all licensed child care delivered in the United States and currently encompasses almost 30,000 centers nationwide.

Let me briefly address two of the major bills which the NCAA and other national organizations in our child care working group strongly oppose: The ABC bill, Senate bill 5, H.R. 30, sponsored by Senator Dodd in the Senate and Representative Kildee in the House, and the Child Development and Education Act, H.R. 3, sponsored by Representative Hawkins, chairman of the House Committee on Educational Labor.

Our members, teachers, and the parents we serve strongly oppose both Senate bill 5 as well as H.R. 3 and H.R. 30. The ultimate effect of these bills is to hurt poor families and their children and severely restrict the parental choice that they can exercise.

One of the principle reasons for this statement is that these bills are constitutionally flawed on Church-State grounds and will not be implemented while undergoing constitutional challenge by such groups as the ACLU, due to the excessive entanglement that would inevitably result between overseeing authorities and religiously sponsored child care programs.

Second, they will force many proprietary centers to close, and, in the case of Title II of Congressman Hawkins' bill, School-Based Child Care and Development, it will sound the economic death knell for the majority of for- and non-profit centers by irresponsibly monopolizing the care of 4-year-olds as well as pre- and after-school children in the public school system.

The economics of these effects are not hard to understand. Most center providers would tell you that they need to serve a sufficient number of 4-year-olds, where the labor intensity is less, so that they can absorb or offset the financial strain for caring for infants and toddlers.

Because quality infant and toddler care is so expensive to provide, rather than charge the actual cost, centers have tended to distribute their costs over the entire center. In other words, 4-year-olds help considerably in balancing out the loss experienced by the care for infants and toddlers.

Moreover, by imposing minimum Federal standards on the States, both the ABC bill and its clone for infants and toddlers in

Title III of Mr. Hawkins bill will raise tuition costs for center care and ultimately cause many centers to close their doors.

According to the only, and to this date, unchallenged fiscal analysis of the economic impact of these minimal Federal standards reported last year in "Child Care Review," it is estimated that the cost of child care nationwide will increase by nearly $1.2 billion, and ultimately 12,600 centers, or 20 percent of all licensed facilities, would close. It was estimated that 786,000 children would be displaced.

These economic effects will be especially severe in the Sun Belt States, where parents will absorb 79 percent of the total national tuition increase, and where 84 percent of the total child displacement will occur.

For example, in two of the States that lead the Nation in available licensed child care, Texas' parents could expect an average increase in weekly tuition cost of $18.41; and parents in Florida, $16.21 per week. Even in the North, in Rhode Island, weekly tuition rates would be $15.13 more.

What is even worse, if the optimal standards recommended by the accrediting arm of the National Association for the Education of Young Children were adopted, Professor Clifford of the University of North Carolina has estimated that it would cost parents $5,200 annually for center care, and the cost would be even higher for the same programs in public schools. And, gentlemen, I live in a land of regulations, in New York, and I can guarantee you the cost will hit $5,000 more, because it is happening today.

Moreover, the drafters of these bills have caught themselves in a Catch-22 situation over these standards. On the one hand, they would lead us to believe that only those centers who choose to participate in the Federal ABC program will be bound by these minimal Federal standards. But they add another element; namely, unless the centers do not receive any other public funding, at any level—Federal, State, county, or municipal—they will not fall under the Federal standards. They, therefore, would place owners in a position of possibly refusing care to a battered or protective-services child who is paid for by a county or a local agency. On the other hand, within a 4- or 5-year period, in order to maintain its ABC eligibility, each State will have to certify to the Federal administrator of child care that all centers in their State are licensed and monitored.

Gentlemen, these bills are blatantly anti small business. We are deliberately and unjustly excluded from the ABC grant and loan provisions for care environment improvements, from technical assistance and teacher-improvement grants, from demonstration program grants for business center partnerships, and so forth.

These bills are deceptive about child participation and raise false expectations for parents and the public. These bills will unjustly redirect the family rearing policies and preferences in the United States for future generations.

What are we for? The National Child Care Association strongly endorses Senate bill 412, the Expanded Child Care Opportunities Act, introduced by Senators Moynihan and Packwood, because of its constitutionally appropriate stress on increased-percentages tax credits, refundable where necessary, targeted towards poorer parents, and earmarked Title XX block grant funding for qualitative improvements in child care, coordinated at the State and local level.

There is no proper shortage of available child care. Our national survey currently shows that 14 to 30 percent nationwide is the current availability of slots. Tax credits address issue of affordability for poorer parents.

Gentlemen, we strongly support Senate bill 412, and we appreciate the opportunity of being here today.

Senator PRYOR. Mr. Walsh, thank you for your statement.

[Mr. Walsh's prepared statement appears in the appendix.]

Senator PRYOR. We will next go to our final witness, Mr. David Russo.

David?

STATEMENT OF DAVID F. RUSSO, DIRECTOR OF HUMAN RESOURCES, SAS INSTITUTE, INC., TESTIFYING ON BEHALF OF THE AMERICAN SOCIETY FOR PERSONNEL ADMINISTRATION, CARY, NC

Mr. RUSSO. Thank you, Senator Pryor.

My name is David Russo, and I am Director of Human Resources for SAS Institute in Cary, NC. I am here representing the American Society for Personnel Administration, ASPA. ASPA is the world's largest professional society devoted exclusively to excellence in human resource management. I am an active member in two local ASPA chapters and currently serve on ASPA's National Training and Development Committee.

With over 40,000 members, ASPA represents individuals employed by companies which collectively employ more than 41 million people. ASPA members include managers from a cross-section of American business, from large corporations to smaller family operations.

As director of Human Resources for SAS Institute, I am responsible for the ongoing operations of our onsite child care facilities. Copies of our operational handbook have been provided for your review. As a result, I have first-hand knowledge of what is involved from a corporate perspective in the planning, development, and operation of on-site child care.

Although many people know of SAS Institute as "that place with the day care center," I would hate to leave here today without telling you that, as well as supporting on-site child care, we also develop, market, and support some 16 computer software products that make up the SAS system.

When I was hired by SAS Institute in 1981, the Institute was a 5-year-old company of 70 employees. However, it was also a young company where top management was receptive to innovative ideas conducive to a good work environment. Since that time we have grown to more than 1,200 employees at our company headquarters and have established regional offices in the United States and Canada, as well as 16 subsidiaries throughout the world. With the complete support of our company president, Dr. James H. Goodnight, and without Federal mandates, we have been able to create a working environment that is seen as a model for company commitment to employees.

To meet the growing needs of employees for quality, affordable day care, in 1981 SAS Institute established an onsite company-paid child care center with a beginning enrollment of eight children. In 1982 we opened our first 5,000 square foot building for 60 children and 15 care-givers, and in 1985 we opened our second facility, a 16,000 square foot building capable of housing 140 children from 2 to 5 years of age.

The original facility now houses our infant classes, which are children 6 weeks to 12 months, and some of our toddler classes for 1- to 2-year-olds. This year we will be constructing an additional child care facility of 24,000 square feet to meet our present and future child care needs. Our centers are the only company-sponsored Montessori child care centers in the Nation.

We believe that commitment to employees is vital to recruitment and retention of staff. In our part of North Carolina, we operate in an area of very low unemployment, less than 3 percent, which, as you know, can often increase the probability of higher turnover for any employer. Yet, turnover rates at the Institute were less than 6.4 percent in 1988, well below the accepted computer industry rates which average 12 to 18 percent annually.

We believe that the centers have given us the opportunity to demonstrate to other businesses, by example, that pro-active employee and family support systems positively affect profitability.

Now, I would be the first to recognize, however, that what may work for one company may not work for another. Competitive conditions vary. Product lines are different. And I believe that each company must address the child care issue as it sees appropriate, investigating all available options and choosing what will work best for them.

At SAS Institute we decided that a commitment to onsite child care was in our best interest. Onsite child care is a workable alternative, yielding company and employee benefits.

A copy of our videotaped orientation has been made available for the committee, if you might be interested in seeing our child care centers first-hand.

Now, ASPA is been proud to have been a forerunner in the business community in articulating positions of supportive legislative action in the child care area. As early as January of 1988, the ASPA Board of Directors approved principles with regard to supporting Federal legislation.

ASPA's involvement in this area has also included nationwide seminars for our members on "The Child Care Challenge, Options for Business" over the past 2 years, designed to equip employers to design and implement effective child care strategies.

Additionally, we pilot-tested the Department of Labor's Work and Family Clearinghouse on a progressive program and policies with our members.

ASPA also conducted a 1988 survey of our membership, "Employers in Child Care: The Human Resource Professional's VIew," to ascertain their needs. We have attached an executive summary for your convenience. I believe the results would be helpful to this committee in your deliberations on this very, very important issue.

The ASPA survey made the case for tax credits for employers establishing child care facilities or other work-family programs. It found that 77 percent of the human resource practitioners cited expense as a major obstacle to the employer being involved in child care.

Additionally, the survey revealed that 76 percent of the respondents viewed liability as a major obstacle to employers' ability to offer child care. Accordingly, ASPA supports reform in tort law relating to child care providers. This would reduce liability barriers to business participation in child care.

Likewise, we support funding to assist States in establishing liability risk insurance pools for child care providers. This would ease the existing difficulty for businesses in obtaining liability insurance.

Senator PRYOR. Mr. Russo, I apologize, but we are going to place the entirety of your statement in the record as if read. I will have a couple of questions for you and maybe a couple of the other panelists in just a moment, but now I would like to yield to Senator Packwood.

[Mr. Russo's prepared statement appears in the appendix.]

Senator PACKWOOD. You are very kind in praise of Senator Moynihan's and my bill. You ought to know, of course, that Senator Pryor is a cosponsor of the same bill, also. And if you want to help all of us, if you can get all of your centers and all of your parents to write to your members of the Senate and the House, it would be most helpful to us.

Mr. Russo, what exactly is the SAS Institute?

Mr. RUSSO. Sir, we are a computer software development corporation established in 1976. Our business is systems software with multiple applications that is available to companies and government agencies, and the like.

Senator PACKWOOD. I have read your statement on how you have been expanding your child care program. How many employees do you have?

Mr. RUSSO. We have 1,234 full-time employees in Cary, NC, at the present time. Most of those employees are in the childbearing-year ages. The average age for our women is about 32.4 years, and the average age for our men is about 31.2 years of age.

Senator PACKWOOD. Do you think that Federal mandated standards would have been a help or a hindrance to SAS as you were putting together your child care complex?

Mr. RUSSO. From a business perspective, sir, I think any Federal mandate makes it more difficult for interested employers to take on some of the opportunities that these type of work-family situations can provide. Specifically, and in deference to the great things that the Federal Government does, paperwork, red tape, and regulation is not always conducive to activity.

Senator PACKWOOD. No. [Laughter.]

Ms. Dermott, let me ask you a question. Kinder-Care probably could qualify under any rational national standards that might be set down—not maybe your rational ones, but rational ones—and yet, you oppose mandated Federal standards, correct?

Ms. DERMOTT. Absolutely.

Senator **Packwood**. I mean, you could almost look at it from the standpoint that it might drive whatever competition you have out of business.

Ms. **Dermott**. Actually, the proposed ABC bill would not even cover the parents that we serve. We would use up all of those funds just accommodating those parents.

Senator **Packwood**. Yes, you would. I am trying to think of what would happen to all of the neighborhood homes that take care of three or four kids they are going to shut down, because they are not going to be able to meet any standards, that you could easily meet.

Ms. **Dermott**. Yes.

Senator **Packwood**. And suddenly, whether you chose to raise your prices or what, you would have a tremendously greater demand on your centers than you have now because of all of the others that would be shut.

Ms. **Dermott**. I couldn't agree with you more, that one of our major concerns with Federal involvement in this is exactly that, concern for family day care providers who would be "closed down." But there also are many viable for-profit and not-for-profit child-based centers that would also be closed, not meeting those standards.

I feel your assumption is accurate, that we probably, right now—and I just say that out of pride—right now I have not seen anything that we would not be matching right now as far as what the guidelines would be, and that is just because it has been a 20-year process of getting to that point. But just because we are in the driver's seat of having these guidelines in place right now does not take away our concern and interest for other people who are trying to provide quality services.

As leaders in the industry, I think we have to be very broad-based and realize that there are a lot of people out there providing quality care as well.

Senator **Packwood**. The longer I have been in the Senate, the more I realize how inept the Federal Government is at management. In fact, governments generally are not very good at management. And we decry Federal standards and say what a terrible thing it is the way the Federal Government regulated the nuclear industry. Look at Three Mile Island. There is an example of Federal regulation. We perpetually complain about the Post Office, which is federally run.

What is it, do you think, that drives people to be honestly convinced that the Federal Government should mandate national standards? There is a presumption we would automatically mandate the best ones, and States are incompetent to do this. That only the safety and well-being, and the quality care of our children, and affordability can be achieved through Federal mandates?

Ms. **Dermott**. Well, Senator Packwood, I am afraid my response to that is exactly the opposite. My major objection, and I believe Kinder-Care's major objection as well, is that we indeed do feel that the States are absolutely the best people to monitor their own needs for quality within their States. That is why in my prelude I identified the States that I have worked in, because I feel it gives me a very broad base, of knowing whether the States of Florida, Nevada, Utah, California, New York, Maryland, or Virginia do a good job at monitoring the needs of children and families.

I honestly say to you, having experienced seven different States' worth, they do a fine job of establishing what the guidelines should be for health, safety, and education within all of these States right now.

So, I honestly see it as a very burdensome addition, when I really think our States are doing their job right now.

Senator PACKWOOD. Let me tell you why letters would be so helpful. The ABC bill got a jump on everybody, and, to the credit of the Children's Defense Fund and a couple of others, they organized the Nation. They brought people on-board who didn't have the foggiest idea what the bill was.

You will be amazed now. You can go talk to people, talk to organizations in your local towns, who are cosponsors of this, and they say, "I didn't mean that. No, surely it doesn't mean that." Yet they are on-board, listed as supporters of this bill.

The ABC supports are going to do everything they can to get their bill. I think they are going to give up on their national standards. I think they will try to figure out a way to get money to religious day care centers—I should rephrase it, "those that teach religion." Every time I say "religious day care centers," they think of some secular organization that rents the Baptist Church basement. That is not the same thing as "teaching religion." They are going to do everything they can, I think, to get their bill passed so that they can get their foot in the door and eventually come back with the mandated Federal standards. And they know if they go the tax credit approach, they will lose that forever.

I think this committee is going to send out some kind of a tax credit approach. We have got dozens of bills, and we may pick and choose some things from different bills, but it will go out as a tax credit approach. We may have different income limitations; it will depend upon the money that we honestly think we have to spend. And we will go to the floor, and you will see in the Senate one of these genuinely good philosophical debates on this issue that will really be of a much greater magnitude than just child care. We will be talking about Federal standards and appropriation versus tax credits, and the place of religion in this society.

And we need help for the approach of the tax credit approach. Anything you can do, with all of the people that you contact, to help us, I can assure you we will appreciate.

Ms. DERMOTT. I would be more than happy to participate. Thank you.

Senator PACKWOOD. Mr. Chairman, thank you.

Senator PRYOR. Thank you, Senator Packwood.

You have asked two or three of the questions that I was going to ask, Senator Packwood.

I would like to ask one, and I guess I would pose that to Ms. Dermott, and that is the access versus affordability part of your statement. Are you maintaining—and I am not sure I heard it correctly—that there is a proper availability to child care centers throughout the country today, in place? Am I hearing you correctly?

Ms. **Dermott**. My position on it, and what my testimony indicates, is that I will certainly agree that there are pockets of areas across the country where there is not availability.

Senator **Pryor**. Is the problem more in the urban areas or the rural?

Ms. **Dermott**. I really don't feel that it is an urban versus rural issue. I think the form of child care may be very different in an urban versus a rural environment; but, where the pockets of need are, I do not feel is that type of an issue.

If I can follow your thought on that further, the issue that I am concerned about when I talk about affordability versus availability is that every day across this country—and, again, I feel I do have a good frame of reference on it with the number of centers we have, and we meet quarterly nationwide as well—what we hear is that families wish to use our service, but they can't afford us. That is the worst thing to hear, because I can assure you we strive very hard to keep our tuition rates within affordable range for families. That is why we are in that business, is to make it affordable, so that people can use the service. It serves us no purpose if we are not affordable.

So, actually, what I am really saying is that the affordability issue is what is making the availability issue disproportionate.

Senator **Pryor**. Let me switch to Mr. Russo, and I may come back.

Mr. Russo, what would be the ratio of—I believe you termed them "caregivers."

Mr. **Russo**. That is correct.

Senator **Pryor**. And those are the folks that run the centers for the children.

Mr. **Russo**. That is correct.

Senator **Pryor**. What would be the ratio of the caregivers to the children as a general rule?

Mr. **Russo**. The general rule at our facility?

Senator **Pryor**. Yes.

Mr. **Russo**. Well, to be specific, we divide the children into age groups, and for the youngest children, infants, we have a ratio of three children to every one caregiver in rooms with a maximum of six children.

For 1- to 2-year-olds, we have a maximum room size of 10 children with no more than 5 children per caregiver. And for 2- to 3-year-olds, it goes up to 6:1 in rooms with a maximum of 12. Then, once they have reached what we call "preschool age," we have a maximum room size of 25, with no less than two teachers at that age group.

So, our ratios are well, well above the standards set by the State of North Carolina. But of course, we are providing for our employees directly, and we have a vested interest in the qualitative aspects.

Senator **Pryor**. Right.

Mr. **Russo**. On the availability issue, however, if you will allow me, I think the situation of availability has a great deal to do with affordability; but the more people can afford to pay, or the more money that is available, the more centers will become available to use, because it is an economic issue.

It is very, very difficult in our State, and as I have read and experienced across the country, for people to be in the business of providing child care, because it is not a high-profit business when you have a limited number of people who can afford to pay a limited number of dollars to have this service provided.

Senator PRYOR. All right. You are fortunate enough to be in what seems to me a very creative, vital company, SAS, sitting down there in North Carolina. Do other companies across the country come in and say, "Show us how you did this"?

Mr. RUSSO. Absolutely.

Senator PRYOR. Are they doing anything about it, or just looking?

Mr. RUSSO. They are. In fact, there is a broad spectrum of opportunity for companies, and we have experienced time and time again companies coming in, very interested.

The two big issues are the cost of starting, because there are some up-front costs, and the liability issue. The liability issue is of particular concern to smaller companies, because of the insurance. For large companies the liability issue becomes a part of the umbrella situation that they serve.

But those are the two biggest issues.

Senator PRYOR. You are recommending some changes perhaps in the tort area?

Mr. RUSSO. Absolutely. And one of the things that concerns me as an individual is that we see examples stated of the most tragic circumstances in child care, which I do not believe, from my experience, represents the child care industry or child care in general. I think these types of examples are driving opinion about safety and other types of things, driving opinion for regulation.

There are some terrible things that have gone on, but I think they are examples and not the rule, of what can happen and not what is happening.

Senator PRYOR. I have no further questions of the panel. I want to thank the panel on behalf of the Finance Committee.

I also want to thank you for the video. I wish we could have shown it today; that was not possible. I, too, wish we could place it in the record, but we can't do that. We don't have the facilities to do that, but perhaps myself and others who have an interest in this will be able to see that video.

We are very, very appreciative to not only this panel, the concluding panel, but to all of the panelists who have come here today.

The meeting is adjourned. Thank you very much.

[Whereupon, at 12:58 p.m., the hearing was concluded.]

APPENDIX

ALPHABETICAL LISTING AND MATERIAL SUBMITTED

PREPARED STATEMENT OF ROBERTA OTT BARNES

HOW EFFECTIVE ARE ALTERNATIVE CHILD CARE TAX CREDITS AT TARGETING LOW-INCOME FAMILIES?

Most of the child-related tax credit proposals being seriously considered are designed to target low-income families more effectively than the current Dependent Child Care tax credit. Three proposals—the Administration plan, Packwood's proposal, and Downey's proposal—specifically include features designed to increase benefits to lower income families. Simulation analysis of these proposals suggest that all are more effective at targeting funds to the low end of the income distribution. Packwood's plan is the least far-reaching, largely because it relies primarily on raising the percentage of documented expenses which can be deducted and on refundability for low-income families. These families can afford to spend little on child care—allowing them to deduct more of "a little" does not get them very far. Much of the distributional gains under Packwood are probably due to the refundable feature. The Administration plan is potentially the most targeted at the very lowest income families, but, the plan serves a relatively small number of families. Principal beneficiaries are those with incomes under $11,000 and with children under 4 and are heavily concentrated in the 2-parent 1-worker group. The Downey proposal is the most far-reaching in that increased credits are available to the greatest number of low-income families. The average credit awarded under Downey is higher than under the Administration plan because two types of families can benefit more: (1) families with incomes up to $20,000; and (2) families with children over 3 years of age. As a result, while the Administration plan targets the bottom 30 percent most effectively, when all families below median income are considered, the Downey proposal is more effective. To achieve this objective, Downey costs considerably more money and, the financing mechanism—removing the tax "bubble" for ultra-high income families—becomes an important practical consideration.

Introduction. Simulation analysis of alternative child-related tax credit proposals provides insight into the differential effects on low-income families. It is well-known that the current Dependent Care Credit has tended to target Federal dollars at higher income families. Low-income families received little or none of the $3.5 billion in tax credits claimed in 1987. In order to rectify this situation, most of the child-related tax credit proposals being seriously considered today are targeted at low-income families. Previous research suggests that several features of a children's tax credit are particularly effective at targeting funds to low-income families.

(1) Making the child care credit refundable.

(2) Eliminating employment status or documented child care expenditures as qualifying criterion.

(3) Allowing for a more generous rate at which expenses can be applied toward the credit for low-income families.

(4) If the credit is phased out for upper-income families, the remaining credit dollars are more effectively targeted at low-income families by definition.

The Microsimulation Framework. Our analysis makes use of a microsimulation model known as The Transfer Income Model or TRIM2, maintained at the Urban Institute largely through funding by the Office of the Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services. However, the results and opinions expressed here do not necessarily reflect those of HHS or The Urban Institute."

Data on real households from the March, 1986 Current Population Survey, conducted by the Bureau of the Census, is the primary input into the TRIM2 simulations presented today. This survey reflects income and demographics characteristics of the population for the 1985 calendar year. The so-called "baseline" simulation—the standard against which all the alternative proposals can be compared—assumes 1988 tax law as if it were in place in 1985. Hence, our results are hypothetical and should not be used as such to estimate the effects of alternative proposals on the *levels* of household tax bills and Federal revenues. The results are more useful as a means to assess the *relative* effects of alternative proposals.

Simulation Analysis. The comments today are focused on simulation results from three proposals: The Administration Plan (S. 601—Working Family Child Care Assistance Act of 1989) Packwood (S. 412—Expanded Child Care Opportunities Act of 1989), and Downey (H.R. 882—The Employment Incentives Act). Referring to Exhibit 1, just under 8 million tax units benefit from the credit in the "hypothetical" benchmark or baseline simulation. The average amount of the credit is $336, well below the ceiling amount. The total credit amounts to $2.6 billion, of which only 3 percent goes to families in the bottom 30 percent of the income distribution (shown in Exhibit 2). A simple change to a refundable credit is a direct benefit to low-income families. Under current law a significant number of poorer families cannot benefit from the child care tax credit, even if they qualify, because their tax liability is very low. By making the credit refundable, as is the case with the Earned Income Tax Credit (EITC), these families can recoup some of their expenses even if their tax liability is zero before the credit is calculated. With refundability, 17 percent of all the monies assigned go to families in the bottom 30 percent of the distribution; about 40 percent to families in the bottom half of the income distribution.

The Administration proposal allows for a refundable Dependent Care Credit (DCC) and offers an alternative, and generally more lucrative, refundable credit—the Children's Tax Credit (CTC)—for families with children under 4 years of age. While earnings are required to qualify for the credit, in a 2-parent family only one parent need be employed outside the home; child care expenses need not be documented. The credit is calculated as 14% of earnings for each child under 4 up to a maximum credit of $1,000 per child. In the first year, the credit decreases by $.20 for every $1.00 over $8,000 in AGI, phasing out completely at $13,000. Families must choose between the better of the DCC or the CTC for their children under 4; older children are eligible for the DCC if the family qualifies.

The number of families receiving either the DCC or the CTCC is increased by over one-third from the baseline figure; 2.8 million additional families are receiving a credit. Just under half of these added families are headed by a single, employed parent. But interestingly, most of these families are added largely because of the refundability feature—not because of the CTC per se. Of course, for many of these families the CTC will be higher than the DCC. Nonetheless, it is somewhat surprising that the Administration plan only draws in approximately 1.1 million families previously not eligible for a credit under simple refundable. Further, 7 out of 10 of these "new" families are in the 2-parent 1-worker category for whom the average credit is $607.

It is not surprising that the CTC is very effective at targeting two-parent families in which one parent remains at home. Dual worker families typically would not benefit because even modest earnings for a working couple are too high to qualify for the CTC. Recall that the CTC begins to phase down at $8,000 in AGI and is reduced to zero at $13,000. In 1990 the poverty threshold for a family of four will be between $12,000 and $13,000. At this income the CTC amount is very close to zero and may be less than the amount this family could recoup under the DCC by deducting 29% of their expenses. Still, at least for some, the CTC is a better deal than the DCC (or the combination of the two is a better deal) as evidenced by the fact that the average credit amount rises from $308 under refundable to $336. For single parents, the relative rise in the average credit is even greater—$497 from $435—which is a 14% increase. One reason that all the plans discussed potentially do not add many single parents above those brought in due to refundability may be due to the rules for determining filing status and eligibility for the child care credits or the EITC. It appears that a disproportionate number of single parents are precluded from eligibility because they are subfamilies within a primary family and are not maintaining their own household under IRS rules.

As shown in Exhibit 3, the Administration proposal is very effective at targeting families at the lowest end of the income distribution. The bottom 30% of families receive 34% of the credit dollars. Among only the 2-parent families, their share of the pot has risen from 4% under refundable to just under 30%. Because 2-parent families tend to be better off, it is still the case that most of the credit dollars paid to this group will go to the upper income families who can make the DCC work to their advantage. Among single parent families—the poorest group—42% of the dollars will go to families in the three lowest income deciles; 73.4% to families at or below median income. Note, however, that 79% of all single parent families are in the bottom half of the income distribution.

The Packwood proposal is a relatively simple modification to the existing DCC that is intended to target dollars to low-income families primarily by: (1) raising the percentage of expenses that can be applied toward the credit; and (2) by making the credit refundable for families with incomes under $27,500. For families with AGI under $12,500, 40% of expenses can be applied toward the DCC. This percentage falls by 3 points for every $2500 in AGI over $12,500, but never falls below 20%. A comparison of the rate schedule with current law shows that the DCC may be anywhere from 5% to 10% higher under Packwood for all qualifying families with incomes below $25,000. Hence, this proposal attempts to spread the increased credits to a broader range of the low-income population.

Who benefits under this scenario? Because of partial refundability, close to 1 million additional households receive a credit under Packwood as compared to current law. On average, the credit rises to $402, which is comparable to the Administration figure, due largely to the increase in the applicable percentage. In contrast to the Administration plan, the principle beneficiaries of Packwood's plan are single working parents. Virtually all the newly covered families are from this group and the average credit increases by 28% to $545 relative to current law and is 10% higher than under the Administration Plan.

At least part of the explanation for this finding lies with income profiles for the two groups. Relative to dual working couples, single working parents are more likely to be below the $27,500 income threshold in the first place. Furthermore, they are sufficiently below the threshold to be able to take advantage of the full 40% rate more often. Two-parent families that are below the income threshold may be sufficiently close to the $27,500 mark that they are only a little better off under Packwood than they are under current law. Indeed, the average credit to dual worker families rises only modestly to $332.

The Packwood proposal targets a smaller group of taxpayers—the working poor *with* child care expenses—than does the Administration plan. Partially because of that, the impact on the income distribution is not as great as under the Administration plan. About 21% of credit dollars are going to the bottom 30% of the income distribution. Packwood does target the fourth and fifth deciles more effectively: 24% is going to these families as compared to 18% under the Administration plan. The latter result is expected since Packwood provides increased credits at slightly higher income levels. Because of the combination of targeted refundability and the increased rate at which expenses can be applied, Packwood is somewhat more effective than a simple refundable rule change. The fact that Packwood is not able to distribute more dollars at the low-end of the income distribution is due, at least in part, to the fact that these people are not spending large amounts on child care—they cannot afford to.

The Downey proposal is a combination approach. Both the DCC and the EITC are modified. For units with incomes up to $20,000, the applicable percentage rate is increased. The DCC is made refundable for all families. More central to the plan is that the EITC is made more generous and is made to vary with the number of children. The features in 1990 include a credit equal to 21% of the first $6810 in earnings (max credit of $1430) for families with one child. The rate rises to 30% for families with two or more children (max credit of $2043). For families with one child, the credit is reduced by $.15 for every dollar over $10,740; for two or more children, $.20 for every dollar over $10,740. Phase-out to $0 is at $20,270 and $20,960, respectively.

Because both proposals are formulated as percentages of earnings and both vary with the number of children, changes under the Administration plan have the same effect as changes to the EITC and comparisons between the Administration and Downey proposals are popular. On the face of it the Administration proposal would look more generous. As much as 42% of earnings could be claimed as a credit for a family with two children age 3 or younger. Under the Downey plan, the same family would get a credit equal to 30% of earnings but it is important to note that families with children *older than 3 could also qualify* for a 30% credit. The Administration proposal affects a much smaller number of families—those with earnings under $13,000 and with children under 4 years of age, especially more than one child under 4. In contrast, the Employment Incentives Act serves more families—those with incomes up to $21,000, which is still below median family income, and those with qualifying dependent children of any age.

These points are documented in Exhibit 1. While the changes to the DCC under the Downey proposal bring in no more families than a simple refundable scenario, the extension of the EITC coverage to $21,000 draws in almost 1 million new families. In contrast, the Administration plan would draw in few additional families as compared to simple refundable. Virtually all of the families qualifying for the CTC would have previously qualified for the EITC; the new credit is effectively an add-on the the EITC. As a result, the Downey plan would cover the greatest number of families. Furthermore, the extension of coverage to moderately low-income families means that all family types, both dual and single workers, both couples and singles, are being benefiting.

While for a minority of families, primarily 2-parent 1-worker families, the benefits under the Administration plan are higher, for the remaining qualifying families, Downey provides a higher tax credit. The average credit awarded under Downey across all units is $779. Families with one worker, both singles and couples, experience the greatest gain, reflecting their weaker earnings levels. This generosity is bought at a considerably higher cost to the federal Treasury. Loss in revenues in the hypothetical scenario is about $6.2 billion, whereas the Administration plan comes in around $1.7 billion. However, if the financing mechanism included in the Employment Incentives Act is considered, our preliminary estimate of the loss in revenues drops to around $800 million.

Exhibit 3, which accounts for receipt of the DCC and/or the CTC *plus* the EITC, shows the income distributional effects. Under the Administration plan, 47% of the credit dollars are going to families in the bottom 30% of the income distribution; 43% of the Downey credit dollars are targeted here. As noted before, however, the total Downey pot of money is much larger so that more dollars are going to the three lowest income deciles. This is witnessed by the fact that the average credit awards are considerably higher under Downey. Furthermore, under Downey a much higher percentage of the total pot is reserved for the next two income deciles—the families with income between $12,000 and $21,000. Again, this is because Downey distributes benefits to a wider group of low-income families, particularly among dual worker families.

Enclosure.

April 18, 1989

Exhibit 1
Summary Tabulations: TRIM2 Simulations of Alternative Child-Related Tax Proposals

(All dollar figures are in 85 dollars)

	1988 Current Law (DCC)	Refundable Credit (DCC)	Administration Proposal[1] (DCC+CTC)	Packwood Proposal (DCC)	Downey without financing (DCC)	Downey with financing (DCC)
ALL FAMILIES[2]						
DCC and/or CTC:						
Total Families w/Credit	7.885M	9.574M	10.637M	8.860M	9.574M	
Average Credit	$336	$351	$409	$432	$367	
Total Amount of Credit	$2.649B	$3.360B	$4.354B	$3.562B	$3.514B	
EITC:						
Total Families w/Credit	8.634	no change	no change	no change	9.995M	
Average Credit	$435				$905	
Total Amount of Credit	$3.756B				$9.045B	
DCC and/or CTC plus EITC:						
Total Families w/Credit	15.129M	15.169M	15.186M	14.616M	16.136M	
Average Credit	$423	$469	$534	$500	$779	
Total Amount of Credit	$6.400B	$7.116B	$8.109B	$7.308B	$12.570B	
Total Federal Taxes Paid	$319.697B	$318.990B	$317.997B	$318.788	$313.540	$518.860[4]
Net Change in Federal Revenues from 88 Law	—	- $.7B	- $1.70B	- $.909B	- $6.157B	- $.837B[4]
	—	- .2%	- .5%	- .3%	- 1.9%	- .3%[4]
DCC AND/OR CTC, BY FAMILY TYPE						
2 parents-2 workers fams. with credit	5.785M	6.140M	6.400M	5.786M	6.140M	
Average Credit	$307	$308	$336	$332	$318	
2 parent-1 worker[3] fams. with credit	.064M	.088M	.837M	.086M	.088M	
Average Credit	$102	$133	$607	$167	$140	
1 parent-1 worker fams. with credit	2.020M	3.316M	3.359M	2.964M	3.316M	
Average Credit	$425	$435	$497	$545	$464	
DCC AND/OR CTC PLUS EITC, BY FAMILY TYPE						
2 parents-2 workers fams. with credit	7.360M	7.375M	7.375M	7.040M	7.734M	
Average Credit	$351	$366	$402	$388	$537	
2 parent-1 worker[3] fams. with credit	2.448M	2.450M	2.463M	2.448M	2.801M	
Average Credit	$442	$444	$643	$445	$975	
1 parent-1 worker fams. with credit	4.435M	4.453M	4.457M	4.241M	4.586M	
Average Credit	$530	$658	$708	$732	$1069	

SOURCE: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.
Note: This work is funded in large part by the U.S. Department of Health and Human Services.

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1. Figures include both the Childrens Tax Credit and Dependent Care Credit.
2. "Family" is a nuclear family or unrelated individual, with subfamilies separate. It is possible for one family to include more than one tax unit.
3. A non-working head or spouse can legitimately claim a DCC if a full-time student, or disabled.
4. This figure is a preliminary estimate.

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Exhibit 2

TRIM2 Simulations of Child-Related Tax Proposals

Benefits Provided by Dependent Care Credit + Children's Tax Credit: Distribution of Tax Credits, by Level of Family Income[1]

(All dollar figures are in 1985 dollars)

	1988 Current Law (DCC)	Refundable Credit (DCC)	Admin. Proposal[2] (DCC+CTC)	Packwood Proposal (DCC)	Downey Proposal (DCC)
Families, by Level of Income (percent of families in category)					
All Families					
$0 - $12,000 (30%)	3.3	17.2	34.3	21.2	16.7
$12,001 - $20,700 (20%)	20.3	21.5	18.1	23.9	23.1
$20,701 - $32,050 (20%)	27.1	22.2	17.4	20.5	22.7
$32,051 or more (30%)	49.3	39.1	30.3	34.4	37.5
	100.0%	100.0%	100.0%	100.0%	100.0%
2-Parent Families					
$0 - $12,000 (10.1%)	.4	3.9	29.2	5.2	2.9
$12,001 - $20,700 (15.6%)	9.7	11.7	10.1	14.2	13.0
$20,701 - $32,050 (24.6%)	25.0	23.5	17.0	23.3	24.0
$32,051 or more (49.7%)	65.0	60.8	43.6	57.4	59.0
	100.0%	100.0%	100.0%	100.0%	100.0%
1-Parent Families					
$0 - $12,000 (58.5%)	9.5	34.7	42.2	40.2	33.1
$12,001 - $20,700 (20.7%)	42.1	34.3	30.7	35.6	35.9
$20,701 - $32,050 (13.6%)	31.6	20.5	18.0	17.2	21.0
$32,051 or more (7.2%)	16.8	10.4	9.1	7.0	10.0
	100.0%	100.0%	100.0%	100.0%	100.0%

Benefits Provided by Dependent Care Credit + Children's Tax Credit: Average Tax Credit Received, by Level of Family Income[1]

(All dollar figures are in 1985 dollars)

	1988 Current Law (DCC)	Refundable Credit (DCC)	Admin. Proposal[2] (DCC+CTC)	Packwood Proposal (DCC)	Downey Proposal (DCC)
Families, by Level of Income (percent of families in category)					
All Families					
$0 - $12,000 (30%)	$255	$333	$550	$449	$339
$12,001 - $20,700 (20%)	$340	$395	$415	$501	$445
$20,701 - $32,050 (20%)	$309	$314	$318	$332	$336
$32,051 or more (30%)	$360	$360	$361	$373	$362
	$336	$351	$409	$402	$367
2-Parent Families					
$0 - $12,000 (10.1%)	$134	$233	$622	$314	[illegible]
$12,001 - $20,700 (15.6%)	$222	$265	$255	$222	[illegible]
$20,701 - $32,050 (24.6%)	$260	$260	$262	$272	$274
$32,051 or more (49.7%)	$350	$350	$351	$364	$351
	$305	$306	$368	$329	$315
1-Parent Families					
$0 - $12,000 (58.5%)	$274	$356	$486	$481	$362
$12,001 - $20,700 (20.7%)	$455	$523	$543	$680	$585
$20,701 - $32,050 (13.6%)	$446	$458	$465	$516	$501
$32,051 or more (7.2%)	$461	$466	$469	$493	$476
	$426	$434	$496	$545	$463

SOURCE: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.

Note: This work is funded in large part by the U.S. Department of Health and Human Services

1. "Family" is a nuclear family or unrelated individual, with subfamilies separate. A family may include more than one tax unit. Income is CPS-reported cash income.
2. The tax expenditure is due to both the current dependent care credit and the proposed Children's Tax Credit.

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Exhibit 3

TRIM2 Simulations of Child-Related Tax Proposals

Total Benefits: Including EITC, Dependent Care Credit + Children's Tax Credit:
Distribution of Tax Credits, by Level of Family Income[1]

(All dollar figures are in 1985 dollars)

	1988 Current Law (DCC)	Refundable Credit (DCC)	Admin. Proposal[2] (DCC+CTC)	Packwood Proposal (DCC)	Downey Proposal (DCC)
Families, by Level of Income (percent of families in category)					
All Families					
$0 - $12,000 (30%)	37.6	40.7	47.0	42.0	43.1
$12,001 - $20,700 (20%)	26.6	26.6	24.1	27.6	34.3
$20,701 - $32,050 (20%)	14.3	13.3	11.8	12.7	10.8
$32,051 or more (30%)	21.5	19.4	17.1	17.7	11.9
	100.0%	100.0%	100.0%	100.0%	100.0%
2-Parent Families					
$0 - $12,000 (10.1%)	32.5	33.2	43.2	33.6	38.7
$12,001 - $20,700 (15.6%)	21.3	22.0	19.3	23.2	33.6
$20,701 - $32,050 (24.6%)	14.0	13.6	11.5	13.6	9.9
$32,051 or more (49.7%)	32.2	31.2	26.0	29.6	17.8
	100.0%	100.0%	100.0%	100.0%	100.0%
1-Parent Families					
$0 - $12,000 (58.5%)	44.1	49.6	52.5	51.7	49.6
$12,001 - $20,700 (20.7%)	33.4	31.3	29.6	32.1	34.3
$20,701 - $32,050 (13.6%)	15.3	13.1	12.3	11.8	11.6
$32,051 or more (7.2%)	7.2	6.0	5.6	4.5	4.4
	100.0%	100.0%	100.0%	100.0%	100.0%

TRIM2 Simulations of Child-Related Tax Proposals

Total Benefits: Including EITC, Dependent Care Credit + Children's Tax Credit:
Average Tax Credit Received, by Level of Family Income[1]

(All dollar figures are in 1985 dollars)

	1988 Current Law (DCC)	Refundable Credit (DCC)	Admin. Proposal[2] (DCC+CTC)	Packwood Proposal (DCC)	Downey Proposal (DCC)
Families, by Level of Income (percent of families in category)					
All Families					
$0 - $12,000 (30%)	$559	$669	$877	$710	$1251
$12,001 - $20,700 (20%)	$402	$444	$459	$480	$867
$20,701 - $32,050 (20%)	$330	$339	$343	$352	$450
$32,051 or more (30%)	$362	$364	$365	$376	$389
	$423	$469	$534	$500	$779
2-Parent Families					
$0 - $12,000 (10.1%)	$583	$615	$953	$627	$1300
$12,001 - $20,700 (15.6%)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$20,701 - $32,050 (24.6%)	$272	$273	$276	$283	$242
$32,051 or more (49.7%)	$350	$351	$351	$364	$362
	$374	$386	$462	$403	$653
1-Parent Families					
$0 - $12,000 (58.5%)	$534	$743	$845	$820	$1244
$12,001 - $20,700 (20.7%)	$574	$669	$683	$744	$1167
$20,701 - $32,050 (13.6%)	$468	$497	$503	$538	$697
$32,051 or more (7.2%)	$473	$489	$492	$511	$580
	$530	$657	$708	$731	$1068

SOURCE: The Urban Institute, Income Security and Pension Policy Center, Washington, D.C.

Note: This work is funded in large part by the U.S. Department of Health and Human Services

1. "Family" is a nuclear family or unrelated individual, with subfamilies separate. A family may include more than one tax unit. Income is CPS-reported cash income.
2. The tax expenditure is due to both the current dependent care credit and the proposed Children's Tax Credit.

PREPARED STATEMENT OF SENATOR LLOYD BENTSEN

This is the first of two hearings by the Committee on Finance on the important issue of child care. Today and tomorrow we will be hearing from witnesses representing a wide range of opinion on child care proposals, who will be giving us their perspective on the many child care bills that are pending before the Senate.

Today there are more than 11 million preschool children with mothers in the labor force, and if predictions are correct, there may be nearly 15 million young children with mothers in the labor force by 1995.

Nearly half of these young children are cared for by a member of the family. But millions of children throughout the Nation are being cared for in either a child care center or family day care home, and the quality, the availability, and the cost of their care are of great concern to the American people.

We on this Committee have a particular obligation to study the child care issue. Currently, legislation under the jurisdiction of the Committee on Finance is the source of funding for *most* of the child care paid for by the Federal Government, amounting to nearly $5.0 billion in this fiscal year. The major Finance Committee programs include: the title 20 social services block grant; education and training programs for welfare recipients; the child welfare services program; and two provisions of the Internal Revenue Code: the dependent care credit and the exclusion for employer-provided dependent care.

Already in this session of Congress there have been 11 different bills referred to this Committee that call for an even greater Federal investment.

At the same time, we know we're in a period of severe budget restraint, and any action this Committee might take will have to meet the strictest test of need.

So what we'll be looking for at these hearings today and tomorrow is guidance in understanding exactly where the greatest child care needs are, and how the Congress might best meet those needs. We'll want to be sure that parents and children derive the *maximum benefit* from each dollar spent.

Perhaps the most notable feature about the bills before the Committee is the fact that their intent is to help low income families, and I think that's the right objective. Full-time child care can cost a family anywhere from $3000 to $5000 a year, and in some areas the cost is even higher. That's a heavy financial burden for low wage earners to bear. Recent studies suggest that low income families with preschool age children spend up to 25 percent of their income on child care, while higher income families spend about 5 percent. If possible, I'd like to help low income families—but at the same time be sure that measures approved by this Committee make the best possible use of every taxpayer's dollar.

Let me close by welcoming today's distinguished witnesses. Our first witness this morning is the senior Senator from Connecticut, Senator Dodd, who is a long-time advocate of child care legislation, and an expert on this subject.

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BACKGROUND MATERIALS ON MAJOR CHILD CARE PROGRAMS AND LEGISLATION UNDER THE JURISDICTION OF THE COMMITTEE ON FINANCE

FEDERAL CHILD CARE PROGRAMS

As many as 40 programs provide some Federal funding for child care related services. Estimates of total Federal expenditures for child day care for FY 1988 (the latest year for which estimates are available for many of the programs) range from $6.2 to $6.9 billion. The majority of these funds were expended by programs under the jurisdiction of the Committee on Finance.

The primary sources of Federal support for child day care under the jurisdiction of the Finance Committee include two provisions of the Internal Revenue Code (the child and dependent care tax credit and the exclusion for employer provided care), the title XX social services block grant (SSBG) program, child care provided to participants in employment and training programs for welfare recipients, and the income disregard for child care under the aid to families with dependent children (AFDC) program. In addition, an unknown (but probably small) amount of support is provided for child care services through the child welfare services program, which is also under the Committee's jurisdiction. It is estimated that between two-thirds and three-quarters of Federal expenditures for child care in FY 1988 were under these programs. More than half of the total estimated expenditures for child care that year were for the child and dependent care tax credit.

Major programs outside the Committee's jurisdiction that also provide funding for child care include head start, the child care food program, and food stamps which together accounted for an additional 25 to 30 percent of estimated Federal expenditures for child care in FY 1988. The remaining Federal child care expenditures in FY 1988 were for a variety of discretionary grant and research and demonstration programs.[1]

Table 1 shows the FY 1988 funding for child care under the major programs noted above. FY 1988 is the most recent year for which there are comparable data for these programs. More recent funding information is included in the individual program descriptions when available.

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[1] See U.S. Library of Congress. Congressional Research Service. *Child Day Care: Funding Under Selected Programs*. CRS Report for Congress No. 88-686 EPW, by Susan Schillmoeller and Sharon Stephan. Washington, 1988.

TABLE 1. Estimated FY 1988 Federal Funding
for Major Child Care Programs a/
(in billions)

Programs Under the Jurisdiction of the Finance Committee b/	
Child and dependent care tax credit	$3.400
Exclusion for employer provided child or dependent care services	.105
Social services block grant	.660
Services for AFDC families	.075
Programs Under the Jurisdiction of Other Committees	
Head start	1.206
Child care food	.607
Food stamps	.050
Other	c/

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a/ Funding for all of these programs except head start and services for welfare families has been estimated by the Office of Management and Budget (OMB). Head start funding is the FY 1988 appropriation. Funding for services for welfare families includes $40 million for the AFDC income disregard (an OMB estimate) and $35 million for child care provided to participants in AFDC employment and training programs (estimated by the Congressional Budget Office). For more detail on program funding, see U.S. Library of Congress. Congressional Research Service. *Child Day Care: Funding Under Selected Programs*. CRS Report for Congress No. 88-686 EPW, by Susan Schillmoeller and Sharon Stephan. Washington, 1988.

b/ Other provisions of the Internal Revenue Code relating to child care include: tax exempt status for nonprofit centers and deductibility of contributions to such centers; and provisions allowing employers who establish child care centers to depreciate certain capital costs.

c/ Total funding for child care under all other Federal programs is estimated to be less than $1 billion. These programs include the community development block grant program, child care under student financial aid programs, vocational education, public housing programs, several early childhood development programs, the dependent care planning and development program, temporary child care for the handicapped and crisis nurseries, child development associate scholarships, day care programs for Federal employees, and assistance for providers.

Federal child care programs have disparate goals and target groups and provide for a broad range of services. Many of the programs provide support for child care indirectly, e.g., through an income disregard or tax credit, rather than as a direct payment for child care services. The largest category of programs are those that provide day care assistance for parents who work or are in school. Many of the programs target low income families or children, either by Federal mandate or at State discretion; however, the child and dependent care tax credit is available only to families that owe income taxes, and thus does not benefit the lowest income families. The following describes how the major programs are structured under law and gives available data on program expenditures and recipients.

Major Federal Child Care Programs Under the Jurisdiction of the Senate Finance Committee

Programs Under the Internal Revenue Code

Child and dependent care tax credit. The child and dependent care tax credit, authorized under sec. 21 of the Internal Revenue Code, allows an income tax credit for taxpayers who incur child or dependent care expenses in order to work or attend school. The child care portion of the credit is limited to expenses for the care of children under age 13 or who are mentally or physically incapable of caring for themselves. Care provided in centers serving more than six children must comply with applicable State and local laws and regulations. The credit amount is based on a percentage, which decreases as income increases, of a maximum expenditure of $2,400 for 1 child and $4,800 for 2 or more children. For those with incomes of $10,000 or less, the credit is 30 percent of the qualified expenses or up to $720 for 1 child and $1,440 for 2 or more children. For each $2,000 in income above $10,000 up to $28,000, the credit is reduced by 1 percent. Those with incomes of $28,000 or more may claim 20 percent of allowable expenses for the credit or up to $480 for 1 child and $960 for 2 or more. To claim the credit, the taxpayer must be married and filing a joint return or be a head of household. Generally, two-parent families with one wage earner would not qualify for the credit.

Preliminary data from the Internal Revenue Service on Federal revenue losses under this program in CY 1986 show that 9.2 million tax returns claimed $3.5 billion for child and dependent care expenses. The vast majority of these claims are believed to be for child care expenditures. The OMB estimated revenue losses under the program to be $3.5 billion in FY 1987. The most recent OMB FY 1988 estimate for the program is $3.4 billion (reduced from an earlier OMB estimate of $3.9 billion).

Dependent care exclusion. The dependent care exclusion, sec. 129 of the Internal Revenue Code, allows employees to exclude from their gross income up to $5,000 ($2,500 for those married, filing separately) for employment-related dependent care assistance (including that provided for children under age 13) paid for or provided by their employers. To qualify, the dependent care assistance programs (DCAPs) must meet certain criteria, including nondiscrimination rules. Care provided through centers serving more than six children must meet applicable State and local laws and regulations. The dependent care exclusion primarily benefits the employees, but also benefits employers in that they do not have to pay social security and medicare taxes on the portion of income excluded by their employees. OMB estimated that $20 million was spent under this program in FY 1986 and $30 million in FY 1987. The most recent OMB FY 1988 estimate for the program is $105 million (increased from an earlier OMB estimate of $65 million). There are no data on the number of children who receive child care services under this program or the characteristics of the services.

Changes under the Family Support Act of 1988. Until 1988, the child care benefits available under these two programs were not coordinated. This was changed under The Family Support Act of 1988 (P.L. 100-485) which limited the expenses that may be used to claim the tax credit, dollar for dollar, by the amounts excluded under the DCAP program effective for the tax year beginning after December 31, 1988.

Social Services Block Grant Program

The SSBG program, authorized under title XX of the Social Security Act, provides Federal funds to States for a variety of social services with no State matching required. Funds are allocated to States on the basis of relative population. States are allowed great discretion in determining what services to provide and the population to be served with SSBG funds. However, child day care is specifically included as an allowable service under the authorizing legislation and, if provided, must meet applicable State and local law. Because States are not required to submit detailed reports on their use of the SSBG funds or the characteristics of program participants, there are not comprehensive data on the use States make of SSBG funds for child care services. OMB estimated that $660 million was spent under the SSBG program in FY 1988 for child day care services. This estimate, however, was based on the assumption that the pattern of spending under title XX has generally remained unchanged since 1980, the last year for which detailed expenditure data are available. At that time, title XX provided 75 percent reimbursement for most child day care services, earmarked a specific level of additional funding for 100 percent reimbursement, and mandated certain income eligibility criteria for receipt of services.

Funding for the total SSBG program was $2.7 billion in each of FY 1987-1989. An additional $50 million authorized for FY 1988 was never appropriated.

Aid to Families With Dependent Children Program

The child care disregard. The AFDC program provides Federal matching at the medicaid matching rate (which ranges from 50 to 80 percent) for State programs of cash assistance to needy families with children. Under this program, States are required to deduct child care expenses of up to $160 per month per child from household earnings (that is, these expenses are "disregarded") when calculating eligibility for and the amount of AFDC benefits. OMB estimated that the cost of this provision was $40 million in FY 1988. In 1987 (the latest year for which the data are available), 1.4 percent of AFDC families (or about 56,000 families) deducted child or dependent care expenses from their earned income. The average monthly deduction was $111.

The child care income disregard provisions were amended under the Family Support Act of 1988 to, effective October 1, 1989, increase the child care disregard to $175 per month per child age 2 or older and $200 per month for each child under age 2. The child care disregard is to be calculated after other disregard provisions.

Child care for families in employment, education, and training. The Family Support Act also replaced, effective no later than October 1, 1990, the child care provisions for recipients in existing AFDC education, work and training programs, such as the work incentive program, with a new program called JOBS (job opportunities and basic skills program). Under the new legislation, the State welfare agency is to guarantee child care that is necessary for the employment of AFDC parents. The State agency is to also guarantee child care needed for their participation in education or training activities, including the JOBS program, if the agency approves the activity and determines the individual is participating satisfactorily. States may provide the child care directly or arrange for the care through contracts, vouchers, or other arrangements. The child care provided must meet applicable State and local standards. In addition, States are to establish procedures to assure center-based care is subject to basic health and safety requirements and must develop guidelines for family day care. The new Family Support Act also provides that, effective April 1, 1990, families who become ineligible for AFDC benefits because of increased hours of or increased income from employment or as a result of the earnings disregard are, when necessary, to continue to receive day care assistance for at least 12 months, on a sliding fee scale based on the family's ability to pay.

Federal matching for States for the costs of day care is to be at the medicaid matching rate for up to $175 per month per child age 2 and older and $200 per month per child under age 2, or a higher amount established by the State, but cannot exceed local market rates. The Administration's Budget Request for FY 1990 includes $163 million for child care work activities. Program officials indicate that $89 million of these funds would be for child care for participants in employment, education and training programs; and $74 million would be for transitional child care services. The new law also authorizes $13 million for each of FY 1990 and FY 1991 for matching grants to States to improve their child care licensing and registration requirements and procedures and to monitor the care provided to AFDC children. However, no funding is included for these purposes in the Administration's FY 1990 Budget Request.

Child Welfare Services

The child welfare services program authorizes 75 percent Federal matching grants to States for a variety of services to protect the welfare of children, prevent the unnecessary separation of children from their families, assist with family problems, and place children in adoptive homes or other out of home care when necessary and appropriate. Child welfare services may include day care. However, States are not required to report on expenditures under this program by specific service categories and the amount of funding used for child care services is unknown. The total appropriation for child welfare services in FY 1989 is $246.7 million.

Brief Description of Other Major Federal Child Care Programs

Head Start

Head start provides Federal matching grants to local head start agencies to help provide a variety of social, educational, nutritional, and medical services to low income children before they begin their formal education. The FY 1988 appropriation for head start was $1.206 billion; the FY 1989 appropriation is $1.235 billion. More than 448,000 children were served under head start in FY 1988; and it is estimated that more than 452,000 will be served in FY 1989. This constitutes approximately 18 percent of the income eligible population for the program.

Child Care Food

The child care food program provides funds and commodities to States to provide reimbursement, on the basis of legislatively set rates, for the cost of meals served to children in public and private nonprofit day care centers, family and group day care homes, and head start programs. The Administration estimates Federal costs for the program at $607 million in FY 1988 and $659 million in FY 1989. In FY 1988, an estimated 1.2 million children were served daily under the program.

Food Stamps

The food stamp program allows child care expenses relating to work or training of up to $160 per month per household (this was changed to $160 per month per child under the Hunger Prevention Act of 1988, P.L. 100-435) to be deducted (or disregarded) from the household income when determining eligibility for food stamps and the value of the food stamps a household may receive. An estimated $50.2 million was "spent" for all dependent care deductions (including child care expenses) under the food stamp program in FY 1988. In the summer of 1986 (the latest year for which these data are available), 140,000 households or 1.9 percent of all food stamps households claimed deductions for child care expenses, averaging about $90 per month.

CHILD CARE LEGISLATION REFERRED TO THE COMMITTEE ON FINANCE[2]

Eleven child care bills have been referred to the Committee on Finance in the 101st Congress. All of these bills would amend the child care provisions under the Internal Revenue Code. Nine of the bills would also address perceived child care issues in other ways. The following briefly summarizes the major provisions of each of these bills.

S. 55, Kids in Day-Care Services Act of 1989

The Kids in Day-Care Services Act of 1989, introduced by Senator Wilson on January 25, 1989, would amend title XX to earmark $400 million for each of FY 1990-1993 for a new Federal matching grant program for States to fund a variety of child care services for low and moderate income families. It would also authorize $100 million for FY 1990 for State grants to help establish and operate child care liability risk retention groups and $25 million for FY 1990 for State revolving loan funds to help child care providers make capital improvements necessary for licensure. The bill would provide that income earned as a child care provider would not be counted towards reducing the benefits of social security recipients under age 70 because of excess earnings; create a tax credit for small businesses for acquiring, constructing or establishing a child care facility; phase out the child and dependent care tax credit for adjusted gross incomes above $78,500, and make it refundable; and create an alternative to the dependent care tax credit for the child care expenses of preschoolers of low income employed taxpayers.

S. 159, Family Choice Tax Credit Act of 1988

The Family Choice Tax Credit Act of 1988, introduced by Senator Domenici and others on January 25, 1989, would establish a new tax credit for families (with incomes of $30,000 or less) with children under age 5. The credit would be payable in advance with the taxpayer's wages. Those receiving the new children's tax credit could not receive the earned income tax credit. The child and dependent care tax credit would not be available to those with children under age 5. The bill would also provide for child care liability reforms, including limiting liability of certain child care providers complying with applicable licensing and accreditation regulations, eliminating the liability of nonprofit organizations and local education agencies that own separate businesses involved in the provision of child care, and reducing damage awards by any collateral compensation received. The bill would authorize $75 million for the formation of State child care liability risk retention groups in FY 1990; and would authorize $25 million for State revolving loan funds for making loans to providers to enable them to make capital improvements necessary for licensure or accreditation as family based providers.

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[2] Assistance with this section was provided by Anne Stewart, Analyst in Social Legislation, Education and Public Welfare Division; and Marie Morris, Legislative Attorney, American Law Division.

S. 187, Partnerships in Child Care Act of 1989

The Partnerships in Child Care Act of 1989, introduced by Senator Heinz on January 25, 1989, would amend title XX to authorize $300 million for each of FY 1990-1992 for Federal matching grants to States for a variety of child care services. The bill would also increase the maximum credit available for child care expenses for low income families under the child and dependent care tax credit program, make a portion of the credit refundable, require eligible care to be in compliance with applicable State and local laws, and prohibit use of the credit for certain subsidized expenses. Under the bill, a Federal coordinator of child care would be appointed; and a National commission would be established to assess the quality of child care nationally and recommend model child care standards. The bill would also authorize child care demonstrations, an inventory of national child care services, and a study of relevant Federal policies. Finally, the bill contains a sense of the Senate provision relating to the role of governmental bodies as models for private business in the area of employer provided child care and review of relevant policies.

S. 364, Employment Incentives Act of 1989

The Employment Incentives Act, introduced by Senator Gore on Febuary 7, 1989, would increase the earned income tax credit by one of two amounts, depending on family size. For families with 1 child, the credit would be increased to 21 percent of the families' first $6,810 in earnings in FY 1990, with a maximum credit of $1,430. For families with 2 or more children, the credit would be 30 percent of the first $6,810, with a maximum credit of $2,043. The allowable credit would be reduced incrementally for families with gross incomes above $10,740. The bill would also amend the child and dependent care tax credit program to make the credit refundable and to increase the maximum credit amount available for families with incomes between $10,000 and $29,000. In addition, for purposes of determining whether a taxpayer is entitled to a dependency exemption or considered to be maintaining a household, the bill would permit taxpayers to disregard support provided under governmental assistance programs where eligibility is determined on the basis of need or income. The bill would also increase the authorization level for title XX to $2.9 billion in FY 1991, increasing to $3.3 billion in FY 1993 and thereafter. The bill does not stipulate a use for these funds.

S. 392, Parental Choices in Child Care Act of 1989

The Parental Choices in Child Care Act, introduced by Senator Coats on Febuary 8, 1989, would amend the Internal Revenue Code to provide a refundable tax credit for families with incomes under $25,000 and with children under age 6. The credit amount would be based on the Federal

Insurance Contributions Act (FICA) tax rate and earned income of the parents, but could not exceed $1,000 per child. The credit would be payable in advance with the taxpayer's wages. The bill would also amend the child and dependent care tax credit program to limit its use to parents with children under age 6 with adjusted gross incomes of $25,000 or less. Parents could claim either the new tax credit or the child and dependent care tax credit. The bill would also provide a 10 percent business tax credit for employer expenditures for DCAP programs.

S. 409, Child Care Assistance and Resources Expansion Act of 1989

The Child Care Assistance and Resources Expansion Act of 1989, introduced by Senator Boschwitz on Febuary 9, 1989, would authorize $500 million for each of FY 1990-1992 for a new Federal matching grant program for States to support a variety of child care activities. The bill would also establish a commission to develop model child care standards; authorize the provision of additional meals under the child care food program; amend the Library Services Construction Act to authorize $12.5 million for each of FY 1990-1992 for grants to public libraries for buying and delivering children's materials to family and group home providers; amend the child development associate scholarship program to expand eligibility, authorize use of funds for training child care providers and stipends for advisors, and authorize $5 million for the program for each of FY 1990-1992; and authorize $50 million for each of FY 1990-1992 for a new program of grants to local education agencies to establish school based child care programs. In addition, the bill includes amendments to the tax code to 1) allow a tax credit for a portion of the expenses (up to $9,000) paid by a qualified child care home provider for the purpose of making renovations required by State or local law; 2) reduce the child and dependent care tax credit for those with incomes above $35,000 or $45,000 and eliminate it for those with incomes in excess of $44,000 or $54,000, depending upon family size; 3) make the child and dependent care tax credit refundable; and 4) establish an infant care tax credit.

S. 412, Expanded Child Care Opportunities Act of 1989

The Expanded Child Care Opportunities Act of 1989, introduced by Senator Packwood, Senator Moynihan, and others Febuary 9, 1989, would amend the child and dependent care tax credit to increase the credit for families with low and moderate incomes and make the credit refundable. The bill would also authorize an additional $400 million for FY 1990 and each succeeding fiscal year under the title XX SSBG program to support a variety of child care activities.

S. 569, Choices for Children Act of 1989

The Choices for Children Act of 1989, introduced by Senator Bond and others March 15, 1989, would authorize $450 million for FY 1990-1992 for a new Federal matching grant program for States to support a variety of child care activities. The bill would also authorize 1) $50 million for FY 1990 for grants to States to establish employer child care liability insurance pools; 2) $50 million for FY 1990 for grants to States to establish family based child care liability risk pools; 3) $50 million for FY 1990 for grants to States to establish a revolving loan fund for family based providers to borrow from in making capital improvements necessary to meet State and local day care standards; and 4) $100 million for FY 1990-1992 for grants to States to provide grants to school districts to offset start-up costs of extended day care programs. In addition, S. 569 would provide a tax credit to employers for acquiring, constructing, or rehabilitating a qualified child care facility.

S. 601, Working Family Child Care Assistance Act of 1989[3]

The Working Family Child Care Assistance Act of 1989, introduced by Senator Dole and others March 15, 1989, would create a new refundable child tax credit for wage earners with children under age 4. For each child under age 4, families could receive a credit equal to 14 percent of earned income, with a maximum credit of $1,000 per child. Initially, the credit would be reduced by an amount equal to 20 percent of the excess of the adjusted gross income (AGI) or earned income (whichever is greater) over $8,000 and would thus not be available to families with AGI or earned income over $13,000. In subsequent years, both the starting and end points of the phase out range would be increased by $1,000 increments. In 1994, the credit would phase out between $15,000 and $20,000. The credit would be refundable. Families would have the option of receiving the refund in advance through a payment added to their paycheck. The bill would also make the existing child and dependent care tax credit refundable. Families could not claim both the new child credit and the child and dependent care credit for the same child but could choose the larger of the two credits.

S. 692, Child Care Services Improvement Act of 1989

The Child Care Services Improvement Act of 1989, introduced by Senator Hatch on April 4, 1989, would create a new tax credit for employers equal to 25 percent of their expenses for acquiring, constructing, or establishing on or near site day care. The credit would be limited to $100,000 per year. It would also establish a new tax credit for employers who allow employees to shift their hours of employment or to work at home in order to reduce child care needs. The maximum credit amount per employee would be $2,000. The bill would treat in home and family based child care providers as independent contractors for purposes of income tax withholding and employment taxes. It would reduce the self employment tax liability for these providers to one-half the regular self employment tax rate, would not require them to make quarterly payments of estimated taxes on income from day care services, and would exempt them from certain underpayment penalties. The bill would also establish a new subpart under the title XX program and authorize $250 million for each of FY 1990-1992 for matching grants to States for a variety of child care services; authorize the Secretary of Department of Health and Human Services (DHHS) to make up to 10 demonstration grants for child development models; and authorize $25 million for FY 1990 for grants to States to establish a revolving loan fund for family based providers to borrow from in order to make capital improvements necessary to meet State and local day care standards. The bill would establish a President's Award for Responsive Management Policy to honor public and private sector employers who make significant child care contributions in their businesses or communities. It would also provide for child care liability reforms, including limiting the liability of certain child care providers complying with applicable licensing and accreditation regulations, eliminating the liability of nonprofit organizations and local education agencies that own separate businesses involved in the provision of child care, and reducing damage awards by any collateral compensation received. The bill would authorize $100 million for FY 1990 for the formation of State child care liability risk retention groups.

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[3] This is the legislation proposed by the Bush Administration.

S. 761, Child Care Assistance Act of 1989

The Child Care Assistance Act of 1989, introduced by Senator Domenici and others on April 11, 1989, would create a new refundable young child tax credit for taxpayers with dependent children under age 5 living with them. The maximum credit would be $1,000 for 1 qualifying child, $1,500 for 2 qualifying children, and $2,000 for 3 or more qualifying children. The credit would be equal to 12 percent of the taxpayer's first $10,000 of earned income for 1 child, plus 6 percent for each additional child. The credit would be phased out at incomes between the $10,000 and $20,000 for taxapyers with 1 child, between $10,000 and $25,000 for 2 children, and between $10,000 and $30,000 for 3 or more children. The credit would be payable in advance with wages. Taxpayers could choose to use the young child credit or the dependent care credit, but not both. The bill would also grant employers a tax credit equal to 10 percent of their expenditures for a qualified dependent care assistance program each year. In addition, the bill would amend the dependent care planning and development program to authorize $300 million for each of FY 1990-1992 for a variety of child care services. The bill would further authorize $75 million for FY 1990 for the formation of State child care liability risk retention groups; would authorize $25 million for FY 1990 for grants to States to establish a revolving loan fund for family based providers to borrow from in order to make capital improvements necessary to meet State and local day care standards; and mandate a study by the Secretary of Labor on barriers to employer provided child care.

PREPARED STATEMENT OF SENATOR CHRISTOPHER S. BOND

Mr. Chairman. I'd like to begin by thanking you and the other members of the committee for holding hearings on the increasingly important issues surrounding the provision of child-care in this country. and for giving me the opportunity to testify before the committee about my own bill Choices for Children.

Yesterday and today you have very patiently listened to arguments for the so-called "liberal" ABC bill and so-called "conservative" tax credit approaches. After introduction of the ABC bill last year, I began my own research on the issue and came to the conclusion that $2.5 billion per year was an awful lot to spend in the first year of any untested federal commitment; and, that to address this very sensitive issue, we were likely to get more for our money by using our public money to leverage private dollars and come up with LOCALLY-BASED solutions.

To be honest I was quite surprised when the first "conservative" alternative to the ABC bill was unveiled—a toddler tax credit which would have cost far more than $2.5 billion per year.

It defies logic that a federal government that cannot afford the worthwhile programs we have already taken responsibility for would want to take on a newl even more costly program—especially when we don't necessarily have to.

Don't get me wrong, I am not against federal expenditures or revenue losses for child-care. What I am against is the notion that the federal government must next year claim ongoing financial responsibility for a new social program.

Yet that is exactly how the debate is shaping up. Whether it is ABC or a tax-credit approach that finally passes, or a hybrid of the two, the end result is that the federal government is again locked into an ongoing and increasingly costly obligation. I would like to echo the sentiments expressed yesterday by Senator Coats in support of more innovative approaches to solving the problem those which involve the private sector.

While many if not a majority of my republican colleagues believe that changes to the tax code are the my to go on this particular issue, I do not believe that tax credits to families alone will solve the problem.

As my home-town paper, the Kansas City Times pointed out, in response to the Presidents proposal, you can't use care if it's not available.

My proposal, cosponsored by Senators Hatch, Danforth and Stevens, contains several provisions designed to increase availability through federal seed money for neighborhood child-care providers. for extended day programs in schools and through a business tax credit for both for-profit and not-for-profit organizations.

I do not believe we in Congress should be sending the message to our constituents that again. the federal government can solve all of their problems with a pot of gold.

Finally, Mr. Chairman, I would like to direct your attention to what my constituents in Missouri and I believe most Americans view as a great problem—equally as compelling as the preschool child-care problem—and that is the problem of latch-key children.

Last year the Labor Department issued a report which refused to acknowledge a nationwide shortage of child-care overall. They did concede, however, that if a shortage did exist, it was in the area of "latch-key" care. The Labor Department states that over one million elementary and junior high students are unsupervised either before or after school. Studies have shown that unsupervised children are far more likely to get into trouble, to do drugs. to do poorly in school and thus not reach their potential.

While home in Missouri discussing the child-care issue, I hear over and over again, from parents in small towns to parents in St. Louis and Kansas City, and even from the business community, that our schools hold at least part of the answer to the child-care problem. Given some funding for start-up costs up front, the schools have the infrastructure necessary to develop and maintain quality extended-day programs at very little cost to themselves, and at little or no long-term cost to the federal government.

Missouri is one of very few states which has chosen to use limited discretionary dollars to expand the supply of extended-day programs. And to great success. The Schools of the 21st Century program in independence Missouri, modeled after Ed Zigler's comprehensive plan, reports that after a small grant to fund start-up costs. maintenance of the program is paid for entirely by parents fees. I should also stress that independence Missouri is not a wealthy area, and that children from low-income families are assisted through a sliding fee scale.

I believe that Ed Zigler was right—his notion of Schools of the 21st Century should be the direction we begin heading. Yet, fear that in the heat over the debate about preschool care, we may end up ignoring the older children who also need our help.

In closing, I would like to urge again that we look at ways to shift at least part of the burden away from the federal government in coming years; and to stress the importance of including school-aged children in the final solution. Thank you.

Enclosure.

CHOICES FOR CHILDREN

The goal of this bill is to expand the choices available for parents in the provision of child care for their children by involving the private sector and state governments in expanding child care alternatives locally. Recognizing the realities of a tight Federal budget, this bill targets programs for funding that will shift the burden AWAY from the Federal Government in coming years. Senator Bond's positions on the Budget and Small Business Committee make him a perfect advocate of this type of approach. This represents the "middle ground" of the current child care debate here in Washington. To the left of this approach are those who advocate setting up a large Federal bureaucracy and federal standards to administer what is essentially a local and parental responsibility. The much-touted Act for Better Child Care moves toward increased entitlements and reliance on an already overburdened Federal Government. To the right of Senator Bond's approach are those who advocate changes in the tax code to increase family income for families with children. While increased family income may be a laudable goal, this approach does nothing to address the availability problem in areas of the country experiencing child care shortages. Unfortunately, the evolution of the debate may result in some sort of unwieldy compromise between these two extreme approaches. Through this bill we hope to make a responsible start in addressing the child care problem while working towards a comprehensive solution that minimizes long-term Federal involvement.

STATE GOVERNMENT AS A PARTNER—BLOCK GRANT

This section provides for a block grant component for states to fund programs at their discretion. Uses may include (but are not limited to) training of day care providers, voucher systems for low-income parents, setting up of information and referral systems, etc. Preference should be given to funding for programs which target those families earning not more than 200% of poverty level income AND which demonstrate an ability to achieve a degree of self-sufficiency over time. The state should make an effort to provide funding for innovative model programs sponsored by businesses, schools, and family provider networks as well as community-based organizations. Total cost will be $300 million per year over next three years ($250 million block grant to states; $50 million block grant for states earmarked for demonstration programs) Entities which receive funding will be required to meet state standards for the provision of child care.

Each state will, with a portion of the block grant funds, set up an Office of the Child within an appropriate state agency to provide information and technical assistance to community agencies, businesses, schools and family providers.

There will be a 20% state match on block grants.

BUSINESS AS A PARTNER

This section would provide incentives for employers to help offset some of the initial start-up costs associated with establishing on-site or off-site day care.

- A 25% tax credit for costs of rehabilitation, construction, or expansion of an on-site day care center—or for contributions to an off-site center to expand availability in the community. Both for-profit and not-for-profit organizations would be eligible to apply for the credit. The Joint Committee on Taxation estimates and annual loss to the Federal treasury of between $100–$200 million per year for the on-site provisions. We have asked for a cost estimate which will take into account the off-site provision as well.
- Establishment of liability insurance risk pool for eligible providers, including businesses. Cost = $100 million—one time expense.

FAMILY PROVIDERS AS PARTNERS

This section would provide incentives for self-employed neighborhood providers to become involved and licensed. Specifically:

- $50 million revolving loan fund for family providers to borrow from to meet state licensing standards.
- Establishment of liability insurance risk pool for eligible providers, including family-based providers. (Cost included in $100 million risk pool for businesses.)

SCHOOLS AS PARTNERS

This section would provide incentives for schools to begin addressing the pressing problem of latch-key children, including:

- $100 million grant program to fund for start-up costs (including program design, equipment, and staffing) for after-school day care facilities. This program would be administered through state departments of education. School districts would be able to apply for grants of up to $10,000. Missouri has programs already established which could serve as models nationwide.

ENSURING EFFECTIVE LONG-TERM SOLUTIONS

- As part of the block grant component of the bill, the states should be required to submit a report to the Department of Health and Human Services detailing the projects funded and expectations of success. In addition, money for a significant, nationwide study should be set aside to (1) determine the extent of the child care problems in each state and (2) determine the most effective strategies to meet each states' specific problems.

***Total cost of this bill, including outlays and revenue losses = approximately $600–$650 million during 1990; and $500–$550 million during 1991 and 1992. (not including estimated revenue loss for contributions to off-site care facilities)

***Total over three years: approximately $1.75 billion

CHOICES COST CHART

Child-care block grant to states—$300 million per year
Dept. of Education block grant—$100 million per year
Family provider revolving loan—$50 million
Liability risk retention pool (for any eligible provider)—$100 million
Tax credits for employers—$100 million per year [1]
Total for 1990—$650 million
Total for 1991—$450 million
Total for 1992—$450 million
Total three year cost—$1.55 billion
Total three year cost of ABC—$7.5 billion
Total three year cost of Bush proposal—$4.4 billion

[1] This figure is based on last year's estimate prepared by the Joint Tax Committee and does not include credits for non-profit providers. We have requested a new estimate which includes the non-profit provisions.

PREPARED STATEMENT OF SENATOR RUDY BOSCHWITZ

Good morning Mr. Chairman. I want to thank you and the distinguished members of the Finance Committee for giving me the opportunity to testify at this hearing.

Through my work on the Nutrition Subcommittee of the Agriculture Committee, I've been involved in child care issues for several years. The same with the Small Business Committee.

Mr. Chairman, I won't sit here and roll out statistics about the need for child care, because I think there is a general acknowledgement that the need exists, and will become greater in the future.

I represent a State that has developed an extremely effective child care system. We are 21st in population, but second in the number of licensed child care providers. Minnesota has established a system that includes reasonable licensing requirements, effective oversight from local and county government and a strong support network for the licensed, in-home care provider.

Minnesota focuses on the in-home, family care provider, and our experience has shown that a strong network of in-home providers makes quality child care *more* affordable and available for everyone. For that reason, I'm not a fan of federalizing child care, and with such federalization, establishing national standards, with all its rules, regulations, red tape and yes, bureaucracy. Most importantly, my child care providers don't want it either. Their association of 12,000 providers reject the ABC bill and endorse mine—which I will outline.

So what should the federal role be? My feeling, Mr. Chairman, and the feeling of my child care community, is that federal child care legislation should have as its goals these three things:

First, it should encourage providers to become licensed in their state licensing program.

Second, it should target assistance to lower-income parents;

Finally, and while I do not underestimate the need for centers, legislation should assist and encourage the in-home, family care providers who make up the majority of care providers in America.

Here's the typical scene: a young couple has their first or second child. The parents decide that one of them—most frequently the mother—should remain at home with the children. Yet the family needs a second income. For many couples, the answer is to turn their own home into a child care facility. By taking in several other children, the one parent is able to earn enough extra income to keep the family going.

It's a very common scenario, Mr. Chairman, and the fact is that these types of homes normally provide the highest-quality child care. *When a parent is caring for their own children, as well as others, the quality of care is likely to be as high as possible.* My bill, *the Child Care Assistance and Resources Expansion Act (Child-CARE),* helps this situation in several ways.

First, I provide an increased tax credit for low-income parents. My bill phases it out for higher-income families and uses the savings from this phase-out to make it refundable for lower-income parents. I should add that my bill was the first child care bill to make this credit refundable.

Second, I provide a tax credit to the parents who want to turn their home into a child care facility, but need to make improvements. 30 percent for the first $3,000; 20 percent for the second $3,000 and 10 percent for the third $3,000.

Finally, my bill expands the child care food program. That program makes up nearly 20 percent the income of many care providers. A year ago I was able to amend the Hunger Prevention Act so that Minnesota providers could take part in a pilot expansion of the child care food program. Now in Minnesota, providers who have children who stay more than eight hours can be reimbursed for an extra meal or snack for those children. I'm told that more than 40 percent of the providers in Minnesota take advantage of this program. That's just in the first six months of the program, and the number continues to grow.

There are some other provisions in my bill, Mr. Chairman, including extended day care programs in elementary schools, a $50 million provision for the so-called latch-key children, a bookmobile-type program that would give providers access to books, tapes and games, and additional training for providers.

The bookmobile provisions are unique to my bill, and have received lots of praise from library and child care groups, not only in Minnesota, but around the country.

All of the above items, however, have one thing in common: they are designed to encourage quality, in-home providers to go into the business, to become licensed, and to stay in the child care business. and they do so by using the resources of the federal government, without creating a large federal regulatory burden on the men and women who provide child care.

I also want to emphasize that I am in favor of licensed child care. All the provisions in my bill—expansion of the food program, the home improvement tax credit, the bookmobile program and others—are designed to provide incentives to providers to become licensed.

Besides the obvious fact that licensing helps increase the quality of child care, this committee also has an interest in encouraging providers to become licensed. It is the licensed provider who pays his or her taxes, while the unlicensed provider who works "underground" as they say, has less incentive to comply with the tax codes.

But at the same time, I would underscore that I think that licensing should be done at the state level, and not by the federal government. I believe that the federal government has an obligation to make quality, affordable child care more available to everyone. And in doing so with the methods I've outlined, we can provide that assistance without building a bureaucracy that will put up additional obstacles that providers will need to overcome.

PREPARED STATEMENT OF NANCY DUFF CAMPBELL

Mr. Chairman, and members of the Committee, the National Women's Law Center is a national women's legal organization that has been working for over sixteen years to protect and advance women's legal rights. We are pleased to have this opportunity to testify on child care legislation pending before this Committee.

We believe that nothing less than comprehensive child care legislation that addresses the important issues of quality, availability, and affordability will provide meaningful assistance to the millions of low-income families who are so in need of help in meeting their child care needs. For this reason, we support the Act for Better Child Care Services (ABC), which was recently favorably reported out of the Committee on Labor and Human Resources. Although several of the proposals pending before this Committee would provide important income support to low-income families with children, through tax credits or expanded funding of the Title XX Social Services Block Grant program, they do not address the fundamental child care problems these families face. By themselves, they do not constitute an effective child care policy.

1. *The Child Care Problem.* Clearly there is a child care crisis in this country that is threatening the well-being of vast numbers of American families, particularly low-income families. We commend the policymakers in the Administration and the Congress—including the members of this Committee—who have at last begun to pay serious attention to the child care crisis. Legislation must be enacted that effectively addresses the overwhelming problems of cost, quality, and availability that plague our nation's child care system.

First, the cost of care is often prohibitive, averaging $3,000 a year per child, per year. For a single woman working full-time at the minimum wage, this amount is over 40 percent of her annual income. It is over 10 percent of the median family income.

Second, the quality of care is often so poor that it threatens the health, safety and well-being of children. State standards for child care providers vary significantly from state to state, and often are severely lacking. For example, 31 states do not regulate group size for preschool-age children and 25 states do not regulate group size for infants. Twenty-two states do not require any specialized teacher training for day care center workers, and seven states do not require any training at all. Forty-two states do not require training for family day care providers, even in rudimentary first aid techniques.

Third, the supply of child care is woefully inadequate. There are only about three million providers for over 23 million children in need of care. Low-income families suffer disproportionately. Florida, for example, served 40 percent more low-income children in 1987 than 1981, but has a waiting list of nearly 30,000 children, which is growing daily. Nationwide one out of every ten children age five and under is left unattended part of each day, more than 2 million children age five through thirteen are not supervised by an adult after school, and approximately 2.4 million children are in self-care before school, after school, or at night, or are in the care of someone under age fourteen.

It is abundantly clear that women and children across the nation are in dire need of help. Unless they receive that help our nation's future is also at risk. Unfortunately, there are no quick and easy fixes.

2. *The Tax Proposals.* Several tax credit proposals have been introduced in the 101st Congress in response to the increasing national concern about child care. Although tax credits can be an important means of income support for low-income families with children, they do not address the significant problems of quality, availability, and affordability facing today's working mothers and their children. They can effectively supplement a direct services initiative to address these problems, and, in this respect, we support them. However, it is important to be clear that they must not supplant such an initiative. They simply are not equipped to solve the problems before us.

Tax credits, virtually by their nature, do not address the quality of child care for which they may be used. They contain no Federal standards, or funding stream to improve existing state standards for care. Indeed, in most instances they may be used to provide care that is totally unregulated.

Nor do tax credits address the need to increase the affordability or supply of care. They assume that supply will grow with demand and that demand will be met by increasing the income available to parents to purchase care. The problem with this theory is that tax credits, as currently ~~proposed,~~ do not provide enough income to pay the cost of care, which averages $3,000 a year, per child.

3. *Considerations in Evaluating Specific Tax Credit Proposals.* In evaluating the tax credit proposals before the Committee—many of which contain positive elements—there are several considerations to keep in mind. These considerations bear on the extent to which a proposal changes current law, and the effect of that change on particular taxpayers. The relevant credits in current law are the dependent care

tax credit and the earned income tax credit. These credits serve different purposes, which must be remembered in comparing other proposals to them.

The dependent care credit [1] serves three purposes. As a child care measure, it recognizes that child care is a significant and socially-useful expense for working families, and that government should provide some help to families in meeting that expense, particularly lower-income families. As a tax measure, the credit promotes "horizontal equity," an important goal of our nation's tax law. That is, the credit recognizes that families with the same income and family size who have employment-related, out-of-pocket child care expenses have less ability to pay taxes than families with the same income and family size who do not have such expenses. In order to promote "horizontal tax equity" between these families, taxpayers with employment-related child care expenses are given a tax credit to partially offset their child care expenses and thereby equalize their ability to pay taxes. Among taxpayers who are eligible for its benefits, the credit also promotes "vertical equity," that is, provides greater benefit to lower-income than to higher-income taxpayers.

The earned income credit serves different purposes, and is calculated in a different manner. It is designed to refund to low-income working families with children a portion of their payroll taxes. As such, it promotes "vertical equity" in our tax system, and provides critical income support to low-income working taxpayers. Hence eligibility for this credit is determined not by reference to child care expenses but by reference to income.[2]

For 1989, approximately 12.1 million taxpayers are expected to claim the earned income credit, receiving an average credit amount of $553, for a total of $6.7 billion in tax relief. Nearly 10 million taxpayers are expected to claim the dependent care credit, receiving an average credit amount of $440, for a total of over $4.3 billion in tax relief.

The following considerations are relevant in evaluating the new proposals.

The first consideration is the effect that a proposed credit would have on low-income taxpayers. Questions include the amount of the maximum credit, whether the credit is targeted or limited to low-income taxpayers, and whether the credit is refundable. The Center believes that any revisions to current tax-credit law must be targeted to provide maximum benefit to low-income families.

The second consideration is the effect that a proposed credit would have on high-income taxpayers. Questions include whether the credit is available to high-income taxpayers and, if so, how their benefits compare to the benefits provided to low-income taxpayers. The Center believes that tax relief for low-income taxpayers should be funded by broad-based limitations on the tax benefits provided to high-income taxpayers (and businesses). However, we oppose limitations on the dependent care tax credit, such as those originally proposed in last year's Family Support Act, that would expressly decrease some families' dependent care tax relief in order to provide greater dependent care assistance to other families.

The third consideration is the effect on taxpayers with employment-related, out-of pocket child care expenses as compared to taxpayers who do not have such expenses. Current law, through both the dependent care and earned income credits, helps low-income families with employment-related child care expenses, as well as families without such expenses. The current dependent care credit has been criticized, however, for benefiting only families with employment-related expenses, on the grounds that one-earner, two-parent families, for example, have lower median incomes than two-earner, two-parent families, and hence should receive greater amounts of tax relief. The problem with this argument is that under our tax system only families with the same incomes are compared in determining ability to pay taxes. Families with lower incomes generally pay lower taxes already because of progressive tax rates. The question is whether families with the same incomes but differing ability to pay (because of expenditures for child care) should pay the same amount in taxes. Our current system says no, and through the dependent care credit tries to assure that only families with the same income and same ability to pay taxes actually pay the same amount in taxes. At the same time, it seeks to help the lowest-income families with children offset their tax liability and receive needed income support through the earned income tax credit. The Center believes that the current-law philosophy of benefiting both families with employment-related expenses and families without such expenses should be maintained, and, moreover, that one group of families should not be benefited at the expense of the other.

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[1] The dependent care credit is the largest source of federal assistance to families with child care expenses. To be eligible for the credit a taxpayer must have employment-related expenses for the care of a child under the age of 13 (reduced from age 15, as part of last year's Family Support Act), or for the care of a spouse or any other dependent who is physically or mentally incapable of self-care. The amount of the credit that may be claimed is determined by the amount of the taxpayer's expenses and the taxpayer's adjusted gross income (AGI). With respect to expenses, for all taxpayers eligible expenses may not exceed $2,400 for one dependent or $4,800 for two or more dependents. With respect to AGI, the credit is targeted to provide the greatest benefit to low-income taxpayers. Taxpayers with AGIs of $10,000 or less are eligible for a credit equal to 30 percent of their qualifying expenses, while taxpayers with AGIs over $28,000 are eligible for a credit equal to 20 percent of their qualifying expenses. Between $10,000 and $28,000 AGI, the applicable percentage declines by one percentage point for each $2,000 increase in AGI. Thus, the maximum dependent care credit for taxpayers with AGIs below $10,000 is $720, for one dependent, and $1,440, for two or more dependents, and for taxpayers with AGIs above $28,000, is $480, for one dependent, and $960, for two or more dependents. The credit is not refundable; that is, taxpayer must have tax liability for the credit to offset before any benefit may be received from the credit. The credit is also not indexed for inflation.

[2] For 1990, the credit (which is indexed for inflation) is equal to 14 percent of the first $6,810 in earned income, reduced by 10 percent of the difference between the taxpayer's AGI (or earned income, whichever is higher) and $10,740, for a maximum credit amount of $953. The credit is completely phased out at AGIs above $20,270. It is refundable, so than even taxpayers without tax liability can benefit from its provisions.

The fourth consideration is whether a proposal provides parents with a meaningful choice between work in paid employment and work in the home caring for their children. This consideration is not a question of tax equity but rather of support for meaningful family choices. The Center believes that if a proposal is touted as one that maximizes family choice it should provides families with sufficient tax relief to be of meaningful help to them in meeting their employment-related child care expenses (if a parent wishes to work in paid employment), or in compensating them for income foregone (if a parent wishes to stay home to care for her or his children).

The fifth consideration is the extent to which taxpayers with children (and other dependents) of different ages and in families of different sizes are eligible for the credit. Questions include whether a proposed credit is limited to families with children of certain ages, whether a credit is increased as the number of children in a family increases, and whether eligibility for a credit or the amount of its benefit is limited to families with children as compared to families with adult dependents. The Center believes that family size should be taken into account, and that credits should be available to families with older children and adult dependents, as well as families with young children.

4. *Specific Tax Credit Proposals.* In the time available, it would be impossible to evaluate each of the numerous tax credit proposals that has been introduced in the 101st Congress. We hope that the criteria we have set forth will be considered by the Committee in evaluating all of the proposals. Our testimony today will focus on a comparison of three of the major proposals—S. 601/H.R. 1466, President Bush's proposal introduced by Senator Dole and Representative Michel (hereinafter the Bush proposal); S. 412, introduced by Senators Packwood and Moynihan (hereinafter the Packwood proposal); and S. 882/H.R. 882, introduced by Senator Gore and Representative Downey (hereinafter the Gore/Downey proposal).

The Bush Proposal. President Bush's proposal has two components—a new refundable, child tax credit available to very low-income taxpayers with children under age four, and a change in the current dependent care tax credit to make it refundable. Families could receive both the EITC and the new credit, but would have to choose between the new credit and the dependent care credit.

Although characterized as a child care initiative, only the provision to make the dependent care credit refundable is expressly directed to families with employment-related child care expenses. While this is certainly a positive step, the heart of the Bush proposal—the child tax credit—is a modest income supplement, directed to a very limited number of poor families.[3]

Evaluating the new credit under the above criteria, it is an improvement on current law for low-income families. It is important to recognize, however, that most of the new tax relief will go to families without employment-related child care expenses. These families will receive the new credit as well as the EITC, while families with employment-related child care expenses will receive, in addition to the EITC, only the difference between the new credit and their dependent care credit. The new credit's benefits are available neither to moderate- nor high-income families, going only to families with incomes below $13,000, and only to such families with a child under age four. These limitations are quite restrictive, since other low-income families with children are equally in need of income support. Finally, although the Bush proposal is being touted as a means of offering families a choice to work in paid employment or stay home and care for their children, the child tax credit is far too inadequate to provide such a choice. Even at its maximum amount of $1,000 per child (which would be lower, because it would be offset against the family's dependent care credit), it does not approach the average cost of child care for children under age four, which ranges from $3,900 per child for family day care to $4,728 per child for center-based care. And $1,000 per child, per year is even more inadequate as a replacement for wages foregone, even when added to a family's EITC amount.

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[3] For 1990, only families with adjusted gross incomes under $13,000 (increasing to $20,000 by 1994) and with a child under age four would be eligible for the new credit, regardless of whether the family has employment-related child care expenses. The credit is determined according to a formula, with a maximum credit amount of $1,000 per child available only to families with AGIs between $7,143 and $8,000 (increasing to $15,000 by 1994). All other eligible families would receive a smaller credit amount.

The Packwood Proposal. The Packwood proposal takes a different tack, providing all of its benefits to families with employment-related child care expenses. It increases and makes the current dependent care credit refundable for many low- and moderate-income families with child (but not adult) care expenses, and increases the Title XX authorization by $400 million a year, earmarked for child care.

Its effect is to raise the credit amounts for all families with adjusted gross incomes below $27,500, decreasing amounts only for families with AGIs between $27,500 and $28,000. (Families with incomes above $28,000 receive the same amounts as under current law.) The lowest-income taxpayers (under $12,500 in AGI) are helped the most, by the provision making the credit refundable and increasing from 30 to 40 percent the amount of eligible child care expenses that may be claimed, for a new maximum credit amount of $960 for taxpayers with one dependent child and $1,920 for taxpayers with two or more dependent children. Moderate-income families, to the extent their incomes are under $27,500, are also helped. However, the increased benefits the proposal provides to some families with employment-related expenses (a maximum of $240 for families with one child and $480 for families with two or more children) is inadequate to pay for care that averages $3,000 per child, per year. Finally, a serious deficiency is that all of the credit's improvements are only for families with child and not adult care expenses, a departure from the current credit and an important limitation given that adult care expenses are, on average, even higher than those for child care.

The Gore/Downey Proposal. The Gore/Downey proposal combines elements of both the Bush and Packwood approaches. Like Bush, it improves the current tax credits for families with employment-related dependent care expenses and for families without such expenses. Like Packwood, it includes an increase in Title XX, although the increase is not earmarked for child care. With respect to the dependent care credit, the Gore/Downey proposal's increases are higher than those in the Bush proposal, but lower than those in the Packwood proposal for families with AGIs below $21,000. With respect to the earned income credit, the Gore/Downey proposal's credit amounts are higher and available to a greater number of families than the new Bush credit, but because the Bush proposal permits families to claim both the current-law EITC and the new credit, some families without employment-related child care expenses (those with earned incomes under approximately $10,600) would receive greater benefit from the Bush proposal than the Gore/Downey proposal.

The Gore/Downey proposal increases the current earned income credit by increasing the credit amounts and by adding a dependents' adjuster, so that families with two or more children receive an additional amount.[4] The proposal also increases the dependent care credit for certain low- and moderate-income families (those with AGIs between $11,000 and $30,000), and makes it refundable. The maximum credit amounts for the lowest-income families would remain the same, but would be available to a greater number of families (all families under $20,000).[5] Finally, the proposal increases the authorization for Title XX by $200 million in 1991 (increasing to $600 million by 1993).

The Gore/Downey proposal has not been advanced as a child care initiative but rather as a means of increasing the income support for low-income families. As such, it is an improvement over the current-law EITC and dependent care credits. Its increases are targeted to families with AGIs under $20,000, although families with employment-related dependent care expenses receive some increased benefit at AGIs up to $29,000. (Families with AGIs above $29,000 receive the same as under current law.) The amount of money the proposal provides, however—a maximum EITC increase of $477 for families with one dependent child and $1,090 for families with two or more dependent children, and a maximum dependent care credit increase of $120 for families with one dependent child and $240 for families with two or more dependent children—is insufficient to provide families with a meaningful choice to work in paid employment or stay home to care for their children.

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[4] For 1990, the maximum credit amounts would be $1,430 for families with one child and $2,043 for families with two or more children. The maximum amounts would be available to families with AGIs between $6,810 and $10,740, the same as current law, but the credit would phase out entirely for families with two or more children at $20,960, slightly above current law.

[5] The maximum credit amounts for the lowest-income families would remain the same, but would be available to a greater number of families (all families under $20,000).

Although each of these proposals can provide needed income support to low-income families, none will assure low-income working families safe and affordable child care for their children. Only comprehensive child care legislation, not tax credits or a Title XX increase,[6] can effectively address the crisis in child care facing our nation.

5. *The Act for Better Child Care Services.* The Act for Better Child Care Services has been carefully crafted to address the major child care issues of cost, availability and quality.

Unlike the proposals above, ABC fully subsidizes the cost of employment-related child care for the lowest-income families, with the subsidy decreasing on a sliding fee-scale basis as income rises.

Unlike the proposals above, ABC increases the availability of child care. ABC maximizes family choice by recognizing and supporting all forms of child care; it also funds resource and referral programs to help parents find appropriate care. Moreover, ABC provides funds expressly for the training and recruitment of new family day care providers and requires states to provide grants and low-interest loans for the start-up and expansion of child care centers and family day care homes.

Unlike the proposals above, ABC improves the quality of care. ABC requires providers receiving funds under the Act to meet state licensing and/or regulatory standards, as well as Federal standards for a minimally-acceptable level of care. Money is available to help providers conform to the standards and to help states monitor compliance with, and enforcement of, state requirements. In addition, ABC requires providers to take part in 40 hours of training every two years, and authorizes funding to ensure adequate salaries and compensation for providers.

ABC was developed over a year-long period involving input from several congressional offices and over one hundred organizations that have worked on child care issues at the national, state and local levels for many years. It is a complex piece of legislation, because our nation's child care needs are complex. Tax credits can help address the income needs of American's low-income families with children, and increased Title XX funding can help meet the increased demand for a broad range of social services that these families need. But neither is a substitute for the comprehensive legislation embodied in ABC, which is essential to address the child care needs of our nation's low-income families with children.

Enclosure.

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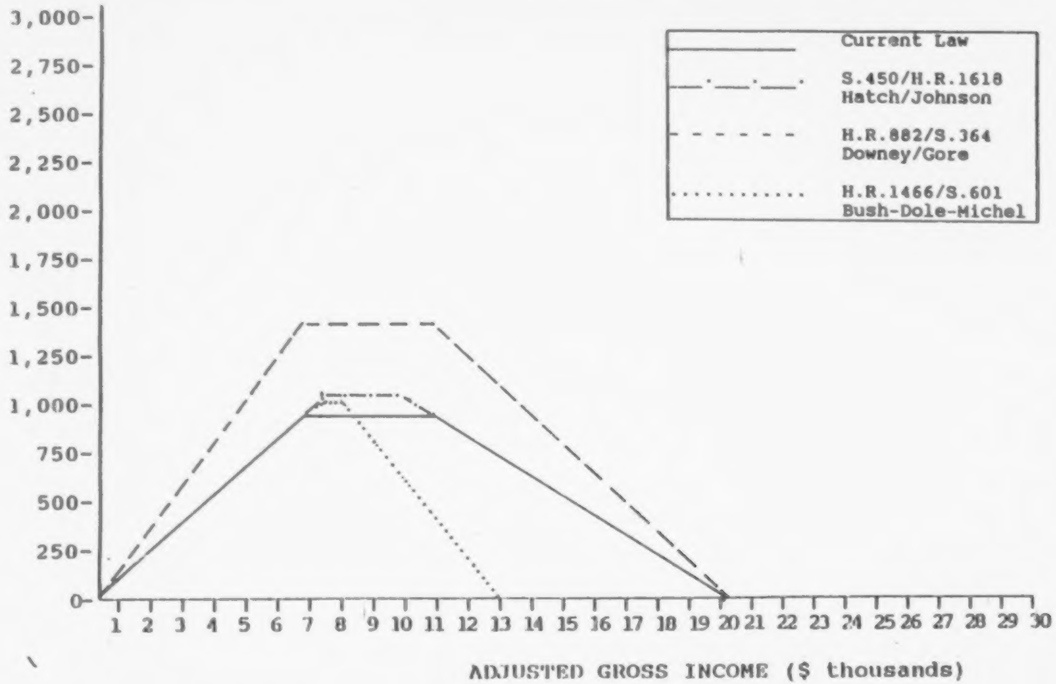
[6] An increase in Title XX, which simply provides block grant funding to the states, is welcome and needed, but does not address the quality, availability and affordability issues that must be a part of any comprehensive child care legislation.

FIGURE 1
COMPARISON OF CURRENT EARNED INCOME TAX CREDIT WITH
SELECTED PROPOSALS INTRODUCED IN 101st CONGRESS

FAMILIES WITH ONE DEPENDENT CHILD*



* Under H.R.1466/S.601, Bush-Dole-Michel, the child must be under the age of four.

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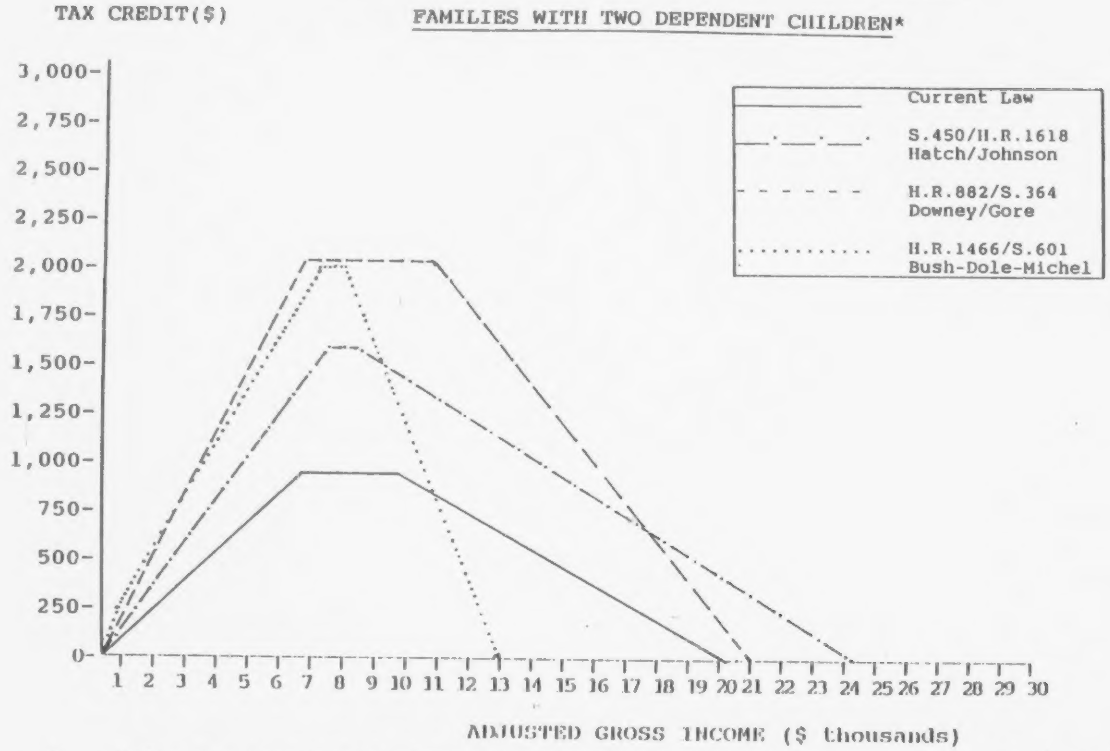
FIGURE 2
COMPARISON OF CURRENT EARNED INCOME TAX CREDIT WITH
SELECTED PROPOSALS INTRODUCED IN 101st CONGRESS

FAMILIES WITH TWO DEPENDENT CHILDREN*



* Under H.R.1466/S.601, Bush-Dole-Michel, the two children must be under the age of four. Under S.450/H.R.1618, Hatch/Johnson, the two children must be under the age of six.

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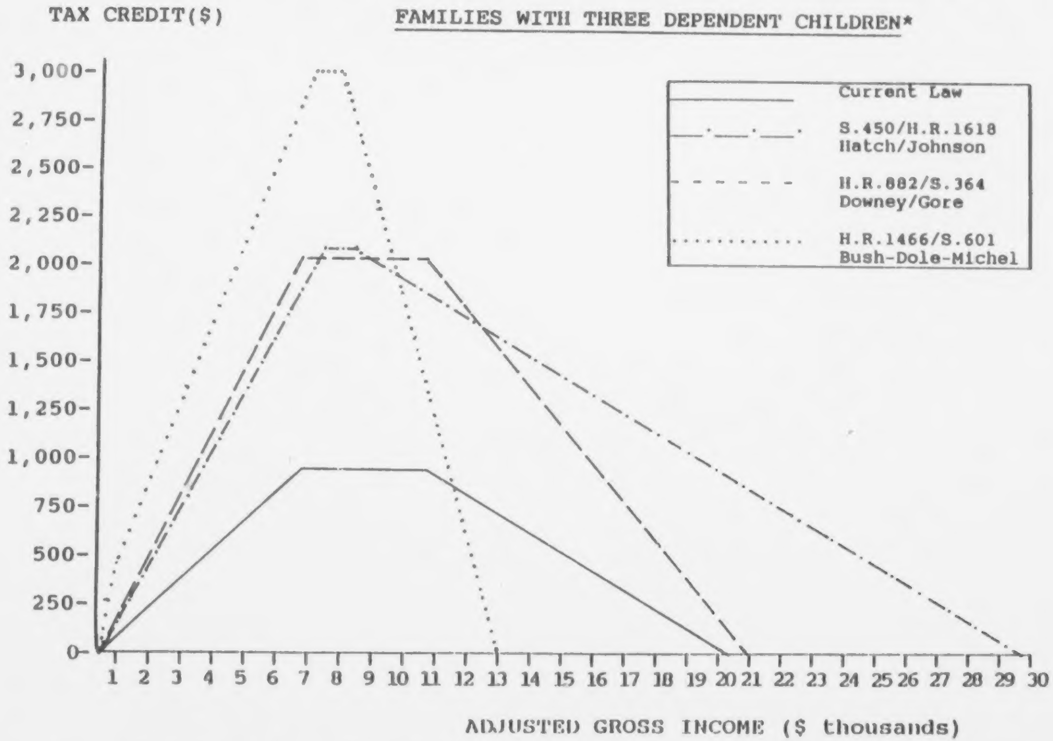
FIGURE 3
COMPARISON OF CURRENT EARNED INCOME TAX CREDIT WITH SELECTED PROPOSALS INTRODUCED IN 101st CONGRESS

FAMILIES WITH THREE DEPENDENT CHILDREN*



* Under H.R.1466/S.601, Bush-Dole-Michel, the three children must be under the age of four. Under S.450/H.R.1618, Hatch/Johnson, the three children must be under the age of six.

PREPARED STATEMENT OF SENATOR JOHN H. CHAFEE

Mr. Chairman, I commend you for holding these hearings. It is extremely important that Congress and the administration—and indeed the entire nation—address the dilemma that has faced parents and children all over our country for years.

At this point, many different solutions to our child care problem have been proposed. Some expand excellent child development programs such as Head Start, or focus on increasing the Social Services Block Grant. Others create new dependent care tax credits, or expand existing credits. And some, like the act for Better Child Care, take a more comprehensive approach by creating a new delivery system.

I am a sponsor of ABC. I believe that it addresses the three most pressing concerns of parents: the availability, quality, and affordability of child care. It also represents an effort to balance the needs of children, parents, care providers, and state and local government. I believe that ABC represents a careful, comprehensive approach toward solving the child care shortage.

Many parents have no choice but to work in order to provide food and shelter for their children. They do not have the luxury of choosing whether to work or stay home. Clearly, these parents must have access to high quality and dependable day care for their children.

Ironically, these are also the very parents who are least able to pay for, or take the time to search for, any child care at all. They are caught coming and going: either care for the children and go on welfare, or go to work and leave the children in undesirable care arrangements. For such parents and their children, it's a lose-lose situation.

Child care providers are also caught in a trap. They take on a highly demanding and highly stressful job, and in return receive wages that are, on average, less than the wages of parking lot attendants. The high turnover rate in the field of child care should come as no surprise to anyone.

I believe that America as a nation finally has begun to realize that child care is not just a "women's issue." It is a "family issue" as well as a social and economic issue. Working parents perform better and more efficiently when they are not constantly worrying about the health and safety of their children. Businesses suffer less employee absenteeism. Most importantly, society *as a whole* benefits from children who have received quality care.

Within the next two years, I believe that Congress will enact child care legislation. We are seeing bipartisan and bicameral support for a child care system. Congress and the President have the opportunity to work together to find a solution.

Mr. Chairman, it is clear to me that those proposals which attempt to address the child care problem through the tax code also deserve serious consideration. In the final analysis, I believe we will find that combining the rest elements of the tax credit approach and the ABC bill will provide the most satisfying solution to this problem.

Our hearings today and tomorrow on all the child care proposals are extremely helpful. The solution to the child care problem lies somewhere amidst all of these proposals, and as a long-time advocate of better child care, I intend to work on this issue until we have reached a *comprehensive* solution.

PREPARED STATEMENT OF SENATOR DAN COATS

Mr. Chairman, members of the committee, ladies and gentlemen, thank you for giving me this opportunity to express my views about child care and what the federal government should be doing to help families meet their child care needs.

I think it is safe to say that this is an issue on the minds of many Americans as increasing numbers of couples are forced into the workplace by financial pressures. That is a reality we may want to descry. But it is a reality nonetheless.

No one questions that families, especially low income families, need help with their child care needs. We must pursue solutions with a compassionate realism—recognizing our budgetary limitations but motivated by a concern for children and their best interests.

This is a goal I share with my distinguished colleague from Connecticut—to provide high quality child care to those who can't afford it. But I'm convinced that the ABC bill he has proposed takes its blind stab at reform in a manner that multiplies our troubles, not divides them.

Senator Dodd's bill is simple—it gives federal money to child care centers that measure up to federal regulations. It puts $2.5 billion in the hands of bureaucrats and professional child care providers. But it is a case study in the law of unintended consequences.

- Though it is sold as broad based relief for financially strapped families, it actually benefits only a tiny minority. A majority of families with children under five do not have mothers in the workforce. And since the Dodd bill only covers "licensed" day-care, it excludes some 90 percent of providers from eligibility. All told, ABC would give help to about one in ten American children.
- And the small number of children that are helped, ironically, do not come from lower income families, but from wealthier, professional ones. When low income families use day-care at all, they seldom use the professional, licensed facilities that would get money from ABC. Their choice, more often than not, is a relative or a neighbor. Mothers in professional or white-collar jobs are three times more likely to put their children in "professional" group care than mothers in blue collar or service jobs. Lower income families would not benefit from ABC, but they would help foot the bill in taxes.
- Though ABC is sold as a plan to make day-care more available, it may actually restrict supply and drive up costs by burying providers under a mountain of regulation and paperwork. An April/May 1988 study reported in the child care review found that the regulations imposed by ABC would increase the cost of providing child care services nationwide by $1.2 billion per year. Smaller child care providers may be forced out the market because of the costly and restrictive nature of federal standards.

Fortunately, there is an alternative to this flawed bill that addresses each of these problems—the Domenici/Wallop/Coats parental choices in child care act. Its premise is equally simple—but could not be more different. Instead of giving honey to licensed institutions used mainly by those who are better off, it gives a tax credit to families and lets them decide how to use it. They might give it to relatives, a neighbor, a church center, professional day-care—or just used it to help a mother stay with the children herself.

This legislation is guided by certain principles that are irreconcilable with those that animate the ABC bill—principles that should set the limits for our approach to day-care.

First, we must always remember that the child care needs of employed parents are diverse. Less than one preschool child in three has a mother employed full-time. Less than one in five has a mother employed full time throughout the year. A truly pro-family child care policy must not neglect the needs or overlook the contributions of working families that sacrifice the benefits of a second income to have a parent stay at home. We must consider the needs of all parents with children, not just the needs of those in which both parents work.

Second, we must carefully target scarce federal resources to those most in need. Since our approach is a refundable tax credit given to lower income families—directed at those making no more than $25,000 a year—it does not amount to a transfer payment from poor to rich.

Third, we must expand, not restrict, parental choice in child care. This is my chief complaint about the ABC bill. We must not subsidize licensed, group day-care over alternatives like relatives, neighbors or the mother herself. That is a choice which should remain with parents. And I find it particularly disturbing that sectarian providers would be severely limited in their provision of child care services. Many would not qualify under ABC if they used even their own funds for "sectarian purposes or activities."

When I speak of choice what I really mean is trust. Can parents look out for the best interests of their own children? Do we want to expand parental choices or restrict them to ones that we in the government can control? Our bill is a protest against government paternalism. It does not substitute its own judgment for that of parents. It simply expands the range of options.

The only really telling criticism that can be admitted against this proposal is that it restricts the government in its power to regulate day-care. It can't monitor if the afternoon snack is from the proper food group, or if the mats are the right thickness during nap time. It can't rescue children from religious instruction or enforce a curriculum approved by the educational establishment.

But I was under the impression that the object here was not the extension of governmental power but the provision of help. And the best way to provide help is to expand choice.

The only government activism in child care that is worth our exertion is an activism that enables, not directs. Our goals should be to help a free people meet their own goals—not a government that puts its pudgy and soiled finger into every pie.

Working families need help. But the Dodd bill gives more comfort to bureaucrats than those who most need it. The last thing we want is a national day-care bureaucracy run with all the efficiency and compassion of the license bureau. The last thing we want is a program that helps those who are wealthier at the expense of the poor.

But when we give credits to lower income families, not dollars to institutions, we both provide choice and help those in need. This is an activism worth our effort.

PREPARED STATEMENT OF SENATOR TOM DASCHLE

I am delighted that Chairman Bentsen called this hearing today to discuss the child care proposals pending before the Senate. With over 28 child care bills introduced in the first four months of the 101st Congress, this is clearly an issue whose time has come.

The United States has experienced a massive demographic shift that has made the need for child care a necessity for every income group. Women are entering the workforce in record numbers. Over half of all mothers with infants younger than age one are in the workforce; almost 60 percent of mothers with preschool children work outside the home. About a quarter of today's working mothers are the sole support for their children.

The need for child care services in South Dakota is greater than ever. In town after town, I hear families say that they cannot find acceptable child care services. There are currently 450 licensed family day care centers and 80 licensed day care centers that have the capacity to serve 9,000 children. Thus, in South Dakota, where over half the mothers work, 24,000 children under the age of 6 are not able to obtain child care services.

I joined Senator Dodd as a cosponsor of the Act for Better Child Care Services (ABC bill) in both the 100th and 101st Congresses because I support a comprehensive approach. ABC addresses the affordability, availability and quality of child care services. The ABC bill subsidizes child care services for low-income families to make child care an affordable option. The ABC bill provides funds to recruit and train new day care providers to increase the availability of child care. And, ABC ensures that all children receive quality care by establishing licensing requirements and minimum health and safety standards. I urge the Committee to consider these three issues in any child care proposal.

Once again, I commend the Chairman for holding this hearing, and I look forward to hearing the witnesses present testimony on the pending proposals.

PREPARED STATEMENT OF MAUREEN DERMOTT

Mr. Chairman and Members of the Committee:

My name is Maureen Dermott. I am here today on behalf of Kinder-Care Learning Centers, Inc., the largest proprietary center-based child care provider in the United States. Founded exactly twenty years ago, Kinder-Care now operates over 1,200 child care centers in 40 states. Our 18,000 employees provide quality care to over 120,000 children every day.

As Region 7 Manager for Kinder-Care, my territory extends from Abington, Maryland in the north to Virginia Beach, Virginia in the south. I started with Kinder-Care eight years ago as the founding director of the Children's Center at Walt Disney World in Orlando, Florida—Kinder-Care's first venture into corporate-sponsored care. Today, I am responsible for more than 70 centers in the "Greater Washington Area." More importantly, I am the mother of one six-year-old son, a former Kinder-Care kid, who, incidentially, was in child care from the time he was 10 months old. So you can see, I speak to you today having had a variety of experiences and from several vantage points.

Thank you for allowing me to testify today. I am delighted to have this opportunity to give you our thoughts on the various child care proposals pending before this committee and before Congress.

First, I will outline the principal attributes we believe any Federal child care legislation should possess; I will then offer more specific recommendations. Next, I will elaborate on why we believe a tax credit/block grant approach is the most efficient and effective way to assist working families with their child care needs. Finally, I will address why we believe the committee should concentrate on the question of *affordability*.

GENERAL RECOMMENDATIONS

We recommend that any Federal child care legislation:

1. Use existing Federal programs for direct support rather than creating new bureaucracies;
2. Target the bulk of the direct support to truly low-income families of preschool children;
3. Provide the bulk of the direct support to parents rather than to providers, maximizing parental choice;
4. Allow states to continue to regulate the health and safety of children; and
5. Provide tax incentives and other support to businesses, government and providers to encourage them to develop and support quality, affordable child care.

SPECIFIC RECOMMENDATIONS

More specifically, we recommend that any Federal child care legislation:

1. Increase the Dependent Care Tax Credit for low- and moderate-income families (as is done in the Packwood-Moynihan and Heinz bills (S. 412 and S. 187)).
2. Make the credit refundable and allow for "forward funding" or "negative withholding" (as is done in those bills, Senator Wilson's KIDS bill (S. 55), Senator Gore's bill (S. 364), and President Bush's proposal (S. 601)).
3. Phase out the credit for those households with adjusted gross incomes above a certain level (as is done in the KIDS bill).

These changes to the Dependent Care Tax Credit would target resources to lower income parents and help offset the lost revenue which would result from increasing the credit.

4. Provide additional incentives to businesses to provide child care assistance to their employees—emphasizing assistance that does not discriminate against the proprietary child care industry (some incentives are included in the KIDS bill, Senator Hatch's bill (S. 692), and Senator Coats' bill (S. 392)).

These incentives could include a tax credit for the costs of establishing an on- or near-site child care facility and a liability insurance risk pool.

5. Make grants to states for child care through the Social Services Block Grant or the Dependent Care Planning and Development Program (as is done in the Packwood-Moynihan bill, the KIDS bill, Senator Heinz's bill, Senator Bond's bill (S. 569), Senator Hatch's bill, and Senator Kassebaum's bill (S. 512)).

These funds could be used to address quality issues such as improving monitoring of compliance, encouraging licensing of family home providers, providing grants and low interest loans to improve quality, providing training to caregivers, and training enforcement personnel. The funds could also be used to enhance availability of resource and referral programs, before- and after-school programs, sick children programs, programs linking child care with the elderly, and other such programs.

WHY THE TAX CREDIT/BLOCK GRANT APPROACH IS PREFERABLE

There are two principal theories on the appropriate role of the Federal Government in providing quality, affordable child care. One theory holds that the government is in the best position to determine child care needs. This theory is exemplified by the proposed Act for Better Child Care, the so-called ABC bill—which would give taxpayers' money to Federal and state *bureaucrats* who would then decide how the child care should be provided.

The other theory regarding the Federal Government's role in providing child care is based on the assumption that *parents* are in the best position to choose what's best for their children. Several bills pending before this committee reflect this theory and are based on the belief that the most efficient way to ensure parental choice is by giving child care assistance directly to the parents. This can be accomplished most effectively by use of the Federal tax code and existing block grant programs.

ADVANTAGES OF THE TAX CODE

Utilizing the tax code offers three principal advantages as a means of Federal support for child care costs. First, it ensures that parents, not bureaucrats, choose what child care services their children use. Second, the program wastes virtually no money on administrative costs. Third, the assistance can be targeted to those who need it the most.

WHY THE EMPHASIS SHOULD BE ON AFFORDABILITY

The child care debate has focused on three factors: availability, affordability, and quality—or more appropriately: lack of availability, lack of affordability, and lack of quality. But what some of the demographers, social scientists, advocates—and yes, politicians—seem to forget is that, to a large degree, these factors are interdependent. Let's take child/staff ratios as an example. That is, the ratio of children to an individual caregiver. Ratios are, to a certain extent, a measure of "quality." If you decrease child/staff ratios you increase costs. These increased costs, in turn, lead to decreased availability. It's as simple as that.

The next question you have to ask yourself is: "Knowing these factors are interdependent, which is my biggest concern. Gentlemen, from my experience as a mother, a child care center director, and a manager, I am convinced that your greatest concern should be with *affordability.* Why affordability? Why not quality? Why not availability? Because, despite the anecdotal evidence and the horror stories, in *most* cases, quality child care will be made available to working parents who can *afford* it. I am *not* saying that quality is not a problem in some areas. It is. I am not saying that quality child care is readily available everywhere. It is not. But I am saying that *affordability,* by and large, is a much more pressing concern.

Let's take a look at the two misconceptions involving availability and quality.

AVAILABILITY

First, availability. We are told over and over by the media and advocacy groups that there is a "crisis" in the availability of child care in the United States today. While there are definitely pockets of shortages, there is no evidence that there is an acute nationwide shortage of *available* child care. In fact, there is much evidence to the contrary:

- In January 1988, the Secretary of Labor's Task Force on Child Care concluded that "there does not seem to be a general shortage of child care."
- The preliminary results of a survey conducted by the National Child Care Association indicates that vacancy rates of for-profit, center-based child care providers average from 14 to 30%. And although we don't particularly like to advertise it, Kinder-Care's vacancy rates are not inconsistent with these figures.

You probably also have heard it said that when it comes to child care, the market has failed. While it is true that supply has not yet caught up with demand in every case, overall the market has responded extremely well.

- Between 1977 and 1985, the number of licensed child care centers increased over 70%.
- During that same period, the number of preschool children in child care centers and other preschool programs increased 241%.
- Center-based care is growing nearly five times as fast as the employment of mothers of preschoolers.
- *Child Care Information Exchange,* a trade publication, has reported that across the U.S. there are currently two licensed child care slots for each child in a child care center.

QUALITY

Now, let's take a look at quality. Again, we are told over and over that we need Federal standards to ensure the safety and health of our children in child care. This, despite the fact that all 50 states already have standards which reflect the economic realities of their state. Let's look again at child/staff ratios. Are they as low as parents would like? No, I suspect most parents would prefer a 1:1 ratio. But with the possible exception of two states these ratios more than adequately safeguard the health and safety of the children cared for in licensed child care. And the trend is clearly toward stricter standards. Just to give you an idea, I counted the states which had revised their child care standards in just the last three years. I came up with 19 states.

Federal standards would increase child care costs, displacing children currently enrolled in licensed child care to cheaper, unlicensed care, and force the closure of many licensed facilities. The perceived "shortage" of child care is most severe in states where excessive regulation has caused child care costs to skyrocket. For example, the infant/staff ratio in Virginia is 4:1; we provide lots of infant care in Virginia. On the other hand, the infant/staff ratio in Maryland is 3:1; we do not provide *any* infant care in Maryland. Why? Because working parents simply cannot afford to pay the increased costs that this smaller ratio demands.

- A April/May 1988 Child Care Review magazine study estimated that, under the ABC bill, child care costs would increase an average of $351 per child, 786,000 children would be displaced from licensed child care, and 20.3% of all licensed centers would close.

In conclusion, I submit to you that for-profit, non-profit, church-affiliated, and family care providers, along with Head Start, relatives, and friends—with some help from the states—can best address the issue of availability. Likewise, the states, parents, and providers are in the best position to ensure quality. Therefore, the Federal Government should concentrate on the issue of affordability.

Thank you.

Enclosure.

Gazette Telegraph

Day care in the United States

 States	Day-care centers: Child-to-staff ratios: Ages up to 12 months	12 to 18 months	18 to 24 months	24 to 30 months	30 months to 3 years	3 to 4 years	4 to 5 years	Corporal punishment prohibited in all circumstances	Liability insurance required	Family day-care homes: Number of children allowed in home	Corporal punishment prohibited in all circumstances	Liability insurance required
Alabama	6-1	6-1	6-1	10-1	10-1	20-1	20-1	✓		6	✓	
Alaska	5-1	6-1	6-1	10-1	10-1	10-1	15-1		✓	6		
Arizona	5-1	6-1	6-1	10-1	10-1	15-1	20-1		●	4	†	†
Arkansas	6-1	6-1	9-1	12-1	12-1	15-1	18-1			16		
California	4-1	4-1	4-1	4-1	12-1	12-1	12-1	✓		12	✓	
Colorado	5-1	5-1	5-1	5-1	8-1	10-1	12-1	✓		6	✓	
Connecticut	4-1	4-1	4-1	4-1	10-1	10-1	10-1	✓		6	✓	
Delaware	4-1	7-1	7-1	10-1	10-1	12-1	15-1	✓	✓	6	✓	
District of Columbia	4-1	4-1	4-1	8-1	8-1	10-1	15-1			5		
Florida	6-1	8-1	12-1	12-1	15-1	20-1	25-1	✓		5	✓	
Georgia	7-1	7-1	10-1	12-1	15-1	18-1	20-1	✓		6	✓	
Hawaii	◆	◆	◆	8-1	10-1	20-1	20-1	✓		5	✓	
Idaho	12-1	12-1	12-1	12-1	12-1	12-1	12-1			6		
Illinois	4-1	5-1	8-1	8-1	10-1	10-1	20-1	✓	✓	8		✓
Indiana	4-1	5-1	5-1	7-1	10-1	12-1	15-1	✓		10		
Iowa	4-1	4-1	4-1	6-1	6-1	12-1	15-1	✓		6		
Kansas	3-1	5-1	7-1	7-1	12-1	12-1	14-1	✓	✓	10		●
Kentucky	6-1	6-1	6-1	10-1	12-1	12-1	14-1	✓	✓	12	✓	✓
Louisiana	6-1	8-1	12-1	12-1	14-1	16-1	20-1	✓	●	✩	✩	✩
Maine	4-1	5-1	5-1	6-1	10-1	10-1	10-1	✓	✓	12	✓	
Maryland	3-1	3-1	6-1	6-1	10-1	10-1	13-1	✓		6	✓	
Massachusetts	3-1	4-1	4-1	10-1	10-1	10-1	10-1	✓	✓	6	✓	
Michigan	5-1	9-1	9-1	12-1	12-1	14-1	16-1	✓	●	6	✓	
Minnesota	4-1	7-1	7-1	7-1	10-1	10-1	10-1	✓	✓	14	✓	
Mississippi	5-1	9-1	12-1	12-1	14-1	16-1	20-1			15		
Missouri	4-1	4-1	8-1	8-1	10-1	10-1	16-1	✓		10	✓	
Montana	4-1	4-1	4-1	8-1	8-1	10-1	10-1	✓	✓	6	✓	✓
Nebraska	4-1	4-1	6-1	6-1	10-1	12-1	12-1	✓		8		
Nevada	4-1	6-1	6-1	6-1	7-1	7-1	7-1	✓	✓	6	✓	✓
New Hampshire	4-1	5-1	6-1	6-1	8-1	12-1	15-1	✓		6	✓	
New Jersey	4-1	4-1	7-1	7-1	10-1	10-1	15-1	✓	✓	5	✩	✩
New Mexico	6-1	6-1	10-1	10-1	12-1	12-1	15-1	✓		12	✓	
New York	4-1	4-1	4-1	4-1	6-1	7-1	8-1	✓	✓	6		
North Carolina	7-1	7-1	7-1	12-1	12-1	15-1	[illegible]	✓		5	✓	
North Dakota	4-1	4-1	4-1	5-1	5-1	7-1	10-1	✓	✓	7	✓	✓
Ohio	5-1	6-1	7-1	8-1	12-1	14-1	14-1			12		
Oklahoma	4-1	6-1	6-1	8-1	12-1	15-1	15-1	✓	●	5	✓	●
Oregon	[illegible]	4-1	[illegible]	[illegible]	10-1	10-1	15-1	✓		5	✓	
Pennsylvania	4-1	4-1	5-1	5-1	10-1	10-1	10-1	✓	✓	6	✓	
Rhode Island	4-1	4-1	[illegible]	4-1	4-1	7-1	10-1	✓	✓	6	✓	
South Carolina	8-1	8-1	12-1	12-1	15-1	20-1	25-1			6		
South Dakota	5-1	5-1	5-1	5-1	10-1	10-1	10-1	✓	✓	12	✓	
Tennessee	5-1	7-1	8-1	8-1	10-1	15-1	20-1	✓	●	7		●
Texas	5-1	6-1	9-1	11-1	15-1	18-1	22-1			12		
Utah	4-1	4-1	7-1	7-1	15-1	15-1	20-1	✓		6	✓	
Vermont	4-1	4-1	4-1	5-1	5-1	10-1	10-1	✓	✓	6	✓	✓
Virginia	4-1	5-1	5-1	10-1	10-1	12-1	12-1	✓	✓	9		
Washington	4-1	7-1	7-1	10-1	10-1	10-1	10-1	✓	●	6	✓	●
West Virginia	4-1	4-1	4-1	8-1	8-1	10-1	12-1	✓	✓	7	✓	
Wisconsin	4-1	4-1	4-1	6-1	8-1	10-1	13-1	✓	✓	8	✓	✓
Wyoming	5-1	5-1	8-1	8-1	10-1	15-1	20-1	✓		6	✓	

● - State requires liability insurance for transportation only.
† - State regulates only [illegible] day-care homes.
◆ - [illegible]
✩ - State does not regulate.
SOURCE: Parenting Magazine, Sept. 1989

PREPARED STATEMENT OF SENATOR CHRISTOPHER J. DODD

Mr. Chairman and members of the Committee, thank you for giving me the opportunity to testify on one of the most critical issues facing the 101st Congress and the American people—child care. As the chief Senate sponsor of the Act for Better Child Care Services, I deeply appreciate all of the support and advise which you and the nine Finance Committee cosponsors of the ABC bill have given me in developing that legislation.

The child care debate. Its a debate about priorities; a question of our goals and responsibilities to the American people. We all recognize the productive and meaningful role of parents who stay home with their children. That's what the family leave legislation which Senator Packwood and I and others have sponsored is all about. But many of us also agree that our first responsibility—the first place for new Federal child care dollars—is with needy parents who simply must work and cannot afford to stay at home under normal circumstances.

Let's be honest with the American people. A tax credit is not national child care legislation. To really make a difference—to see that new Federal dollars first help families which need child care for their economic survival—we need comprehensive legislation which deals with all three facets of the child care crisis—cost, availability, and quality. We believe the ABC bill does just this. It creates not a Federal child care system but a national partnership built on existing programs and fueled by the power of parental choice; ABC is not a Federal solution but a set of national guidelines and incentives; its not a complete answer but a sound beginning.

Mr. Chairman, in a detailed Harris poll released last week, fewer than half of the parents of young children surveyed are satisfied with those three pillars of child care—cost, availability, and quality. Only 8 percent thought our country's system of child care was working "very well". The Harris poll also exploded the myth that many American families, especially poor ones, rely exclusively on in-home relative care with minimal out-of-pocket expense. Instead, the average parent uses two or three support services during working hours, usually a mix of parental and out-of-home care. More than two out of three people surveyed disagree with the view that most parents can find relatives or friends to care for their children while they are at work.

On cost, the numbers are alarming. Even when parents with no child care expenses are averaged in, the mean annual amount paid by parents is $2,280. What's worse, the lower a family's annual income, the more money that family is likely to pay for child care services. The categories of families most likely to be poor and most dependent on their child care arrangements—blacks, hispanics, single mothers, and those in big cities—not only pay well above the national average but more than those earning $35-$50,000 per year. I have two conclusions. First, the cost and supply problems are so bad that there is virtually no relationship between what people pay for child care and their ability to pay. Poor parents must pay ridiculously high portions of their income simply to find some form of care for their kids. Second, this parental scramble for care means little chance to exercise choice in the marketplace, further diminishing the very low incentives society gives day care providers to offer quality services.

This brings me to the third issue—quality. Well, like motherhood and apple pie, quality child care is something everyone believes in. But like motherhood—and like apple pie—there is some disagreement about what goes into it. Some believe the most important factors are parental choice and involvement. I count myself in this camp.

But to provide real parental choice—real involvement—I believe we must do more than throw families a few hundred dollars in tax credits each year and let them fend for themselves. This is not like buying a toaster. Parents are very, very confused. They are frustrated by a system in which demand has little relationship to quality or supply. Parental choice means more than giving families a few extra dollars each month; it means helping to increase the supply and variety of local child care services for parents to choose from. Parental choice means minimum health and safety standards to help parents measure and improve program quality. Parental choice means better resource and referral networks to educate families about their child care options. parental choice means parents working in the trenches, helping to set child care policies at the national, state, local, and program levels. ABC would help to ensure all these forms of parental choice and involvement. The tax credit approach alone would not.

ABC establishes minimum national health and safety standards for publicly funded child care programs. Public opinion polls consistently show—including the recent Harris survey—that the American public overwhelmingly supports these standards. Again, the problem is one of rhetoric. Political opponents of ABC have seized on the standards issue to raise the specter of a federal bureaucratic bogeyman which simply doesn't exist.

When I invited the U.S. Army and a large national insurance company to testify on standards before my Subcommittee in January, they wondered what all the fuss was about. Why? Well the insurance industry doesn't even assign a policy unless a center or family provider meets appropriate standards. They told us that minimum Federal standards would increase access to affordable liability insurance—especially for family providers—and thus lower child care costs and increase supply.

The Army set up tough standards years ago because it makes "good business sense". The Army knows that parents make better soldiers if they have safe and reliable child care available to their children. The Army also knows that its single most likely source of future recruits are these "Army brats" themselves. It's simple. Better child care now means better recruits fifteen years from now. There is a lesson here for the rest of us. What is military readiness to the Army is economic productivity to American industry. The quality of our people now and in the future—whether they are Army sergeants or plant foremen—depends on a system of safe child care available to today's working parents.

This is real simple. Its a matter of consistency and accountability. The Federal Government regulates the food we eat, the prescription drugs we take, the automobiles we drive, the planes we fly, the air we breath, the clothes our children wear and the toys they play with. Your Committee has adopted federal nursing home standards to protect the elderly—the other vulnerable age group we are charged to protect. All we are trying to do in the ABC bill is establish a floor of safety protection for all children regardless of where they live or how much their parents make.

Mr. Chairman, let me turn to the tax side of this debate; the subject of your hearings here this week. I am not against the tax credit approach. What I do oppose is the rhetoric which pretends it's any answer at all to America's child care crisis. A tax credit would help to supplement the incomes of poor families with young children, period. Several tax proposals now before the Congress—including the Children's Tax Credit proposed by President Bush—do not even require funds to be used for child care expenses. Recipient families may use the money for household items and other expenses totally unrelated to the costs of caring for children. None of the credits help to increase the supply or quality of child care, critical issues as we implement the welfare reform legislation authored by my friend from New York, Senator Moynihan, and adopted last year by this Committee. A tax credit may very well complement the ABC partnership plan; it is however, no substitute at all.

Where tax credits can be effective is in helping families afford child care services where they are already available. But even here, the effect would be limited. The most generous credit on paper—the Bush plan to provide a credit to poor families for children three and under—would be available to fewer than 2 percent of American families. A family of four at the national poverty line with two children—an income of $12,088—would receive less than $200 per child next year under the President's Children's Tax Credit. Hardly enough to change a parent's work status and not enough to make a real dent in the family's child care costs. Proposals to make the existing credit refundable would provide more assistance to this same family, but in order to be eligible for that credit the family must have spent up to $4,800 or more on child care during the previous year—almost 40 percent of the family's total income. Those expenses would remain out of pocket for up to a year or more before the credit funds are recouped the following April 15. The ABC bill—in contrast to both tax approaches—would provide poor families with funds up to 100 percent of the cost of care right when they need it to pay their bills.

I sound one last note of caution on the tax credit approach. Its about the Federal deficit. Once a tax credit is enacted into law, it becomes an immediate "negative entitlement" which we cannot control. We would automatically be spending billions of Federal dollars each year, with no opportunity to posit the relative need for the credit against spending priorities in other areas. The ABC bill, conversely, permits Congress to put a national partnership plan in place and then determine appropriate funding levels each year based on competing priorities.

Mr. Chairman, to me the child care debate really is a simple question of priorities; a question of what national child care legislation really means to the American people. If this debate really is about child care, then [illegible] about helping working parents find safe and affordable child care when they simply can't afford to stay at home. If the debate really is about child care, then we have an ABC bill with 42 cosponsors, a bill which was just reported with strong bipartisan support from the Labor Committee and is now ready for floor action. We are actively discussing the bill with the nation's Governors and potential cosponsors in the Senate in the hopes of broadening what is already an amazing coalition of support for this legislation. Our goal is and has always been a balance—a balance between the comprehensive approach required for a national partnership plan and the simplicity and ease of administration which members of Congress want and the states and localities need. We think we can have both. We can hold firm to our principles on quality and also offer to the Congress and to state and local officials an attractive, common-sense legislative product.

I believe most ABC supporters are also ready to consider a modest tax credit as a complement—I repeat, a complement—to our comprehensive child care bill. In practical terms, this could be accomplished through a packaging of the two bills into one legislative initiative or through separate legislative actions on the two proposals. We look to you, the members of the Finance Committee, for direction on the content and timing of any tax credit initiative. And should the Senate consider ABC alone in a more expeditious fashion, we will continue to work for a supplementary income credit which Congress could consider later in the context of a subsequent tax or budget debate.

Thank you for the opportunity to appear before you today.

PREPARED STATEMENT OF ELIZABETH HANFORD DOLE

Mr. Chairman and members of the Committee, thank you for the opportunity to present the Administration's proposals on child care assistance for working families.

Children are the nation's most precious resource, one that the American people must invest in wisely. The quality of life of our nation's families, and the continued competitiveness of America in a global marketplace, are both dependent on the care we provide our children.

A number of dramatic changes have occurred over the past decade which demonstrate the very real need for a public policy on child care which is sensitive to the tremendous diversity in working families across America.

While almost 30% of married couples with children under age 14 remain in so-called traditional families, where one parent stays at home with the children, there has been a dramatic increase in the number of families where both parents work outside the home.

Women have entered the workforce at an astonishing rate in the past several decades. Approximately two-thirds of mothers with children under high school age are now in the workforce in either full-time or part-time jobs.

There has also been a substantial increase in the number of families which are supported by a single parent, with particularly acute needs among low-income families headed by women.

All of these working families have important child care needs. Needs that are individual, needs that are compelling, needs that are important to the well-being of the child, the family, and the employer. In responding to the child care needs of working families, the President developed a proposal based on four important principles.

MORE PARENTAL CHOICE

The first principle of the President's proposal recognizes the differing circumstances of today's families and provides a policy which offers parents—the real child care experts—a choice in the child care which is best suited to their needs. Parents are the best judge of quality care and know what is in the best interest of their children.

For those parents who need child care because they work outside the home, again diversity is the order of the day. Parents want choices and are expressing their preferences. According to a 1984–1985 Census Report, more then one half of 26.5 million children under age 15 with employed mothers are in school most of the time their mothers are at work. One million of these are latch-key children. Of the remaining 12.6 million children not in school most of the time their mothers are at work, more than one half (54%) are cared for by relatives. Some 23% are cared for by non-relatives in the child's own home or another home; 19% are in day care centers that include churches, community and non-profit centers. But people work part-time, full-time, night-shift, day-shift, swing-shift—one size does not fit all. Parents seek child care supervised by people who share their values.

As you can see, there is a complex mosaic from which parents choose. The President's proposal is designed to enhance parental choice within that mosaic.

ENCOURAGES OPTIONS

Thus, the President's second principle is that federal policy should increase, not decrease, the range of options available to parents. The Federal Government should not become involved in licensing decisions, and Federal financial support should not be made contingent upon state licensing decisions. Churches play a vital role in making child care available. Neighbors, friends and family members can provide excellent care. Our policy should not discriminate against them as child care providers, nor drive them out of the market by imposing federally mandated standards and paperwork requirements on them. Such Federal intrusion will decrease the supply of care and increase costs for parents. Federal policy should expand the range of choices available to parents, not limit them through biasing Federal support toward one kind of care.

NON-DISCRIMINATION

The President's third principle recognizes the fact that there are 7.6 million married couples with children today—some 30%—in which one of the parents remains home to care for their children. These families care for 7.4 million children under the age of six and 7 million children between the ages of six and thirteen. It is the Administration's belief that in charting a course for public policy in child care, the Federal Government should discriminate against these families who sacrifice the income of a second career for the mother to stay at home to care for their children. Our tax credit may provide the marginal assistance for the low-income mother who would prefer to be at home with her children, but feels she needs to work to make ends meet. This tax credit may empower her to reach that goal.

TARGETED TO POOREST FAMILIES

Child care assistance is a concern particularly for those parents who have the fewest resources and thus the fewest choices in making child care arrangements—low-income parents. The President's fourth principle is that assistance should be targeted to low-income families, particularly those with young children.

The Federal Government currently provides assistance to families through five provisions of tax law: (1) the personal and dependency exemptions, (2) the standard deduction (3) the earned income tax credit, (4) the dependent care tax credit, and (5) the employee exclusion for child care benefits. As I will explain shortly, the President proposes to amend the tax law further to target more assistance to low-income families with children to help them meet their child care needs. The Federal Government also provides child care services and assistance through a variety of programs, the largest of which include the Social Services Block Grant and child care feeding program.

The newest Federal legislation to respond to child care needs of parents is the excellent Family Support Act, which emerged from this committee. The Family Support Act recognizes that child care is a key for low-income families to become independent of welfare. It provides welfare parents access to child care, transportation and other services necessary to participate in an education or training program or work. It also provides twelve months of "transitional" child care to AFDC recipients who leave the rolls due to work.

In addition to these tax credits and services, the federal government provides educational, medical, nutritional, and social services to young disadvantaged children through the Head Start program.

Overall, the Federal Government already spends about $7 billion on Head Start and child care through tax expenditures and more than forty specific programs and services. As I think you'll agree, Federal involvement in child care is broad and responds to a wide variety of needs.

But states, localities, and private employers have also responded to changing demands in the workforce through child care assistance. Twenty-nine states already provide child care assistance to parents through their tax codes. Fifteen states provide resource and referral information to parents and employers regarding local child care options.

The realities of the workplace have encouraged some private employers to offer assistance in child care, as well. With the American workforce growing at a slower rate, and business competing for workers, every benefit counts. By the year 2000, women will comprise over three-fifths of the new workforce, and almost half of the workforce will be women. More businesses are beginning to realize that child care needs must be met if they are to compete in an increasingly tight labor market.

A recent Bureau of Labor Statistics survey of workplaces with ten employees or more determined that some 61% had one or more work practices, such as flexible work schedules and on-site care, which help parents care for their children.

Employers have responded enthusiastically to a program which the Department of Labor has recently developed. The Work and Family Clearinghouse is a computerized system used to assist employers in identifying the most appropriate policies for responding to the dependent care needs of their employees seeking to balance dual responsibilities of work and family. Such family responsive policies have favorable "bottom line" implications for employers—particularly in such areas as productivity, labor-management relations and the ability to recruit and retrain the most competent workers in the projected tight labor market of the future. Information on some 70 successful employer programs can be accessed by businesses across the nation which are interested in providing child care assistance of their own.

THE ADMINISTRATION'S PROPOSAL

Mr. Chairman, I would like to take a few moments to describe the specific provisions of the Administration's proposals, founded on the four principles I described earlier. They contain four distinct parts which together enhance the range of parental choices in child care.

Additional Assistance Through the Tax Code

1. *Child Tax Credit.* Assistance to low-income families, containing at least one employed parent, would be expanded by making a tax credit available to families with children under age four. The tax credit would equal 14% of earnings up to a maximum of $1,000 per child. The maximum credit would be phased out, initially for families with income between $8,000 and $13,000, and by 1994 for incomes between $15,000 and $20,000. The credit would be refundable and would be effective for tax years beginning January 1, 1990. Families would have the option of receiving the refund in advance through a payment added to each paycheck.

2. *Refundability of Dependent Care Tax Credit.* The President's initiative recognizes the unique needs of work-related child care expenses by maintaining the current dependent care tax credit (DCTC). In addition, this tax credit for child care expenses incurred would be made refundable so that low-income families, including those with no tax liability, can get the benefit of the credit. Families eligible for both the new credit and the dependent care credit for the same child could choose whichever of the two credits best suits their needs. The refundable dependent care credit would be effective for tax years beginning January 1, 1990.

Parents want and need to make important choices about how to best care for their children. Together, these tax credits provide the greatest flexibility for family choice, and put more dollars directly into the hands of low-income families eligible for the credits. The tax credits allow parents to influence the direction of the market.

While some proposals call for considerable government intervention in the market, the tax credit approach is an excellent way to provide assistance without extensive administrative overhead and regulation.

Some proposals advocate that our children march lock-step to an institution where Washington sets the rules. But families have the basic responsibility for the care of their children. We must carefully support the role of the family in choosing the best care. The child care needs of working Americans can best be met by providing assistance to parents, not to providers; through state and local regulations, not Federal standards; through community-based and public-private partnerships, not federal bureaucracies; and by parental involvement, not federally mandated procedures.

Excessive and costly government intrusion is the hardest on those least able to afford its impact—low-income families.

3. *Expansion of Head Start.* The President also has proposed a dramatic increase of $250 million in funding for the Head Start program. These funds would be used to enroll up to 95,000 more poor four-year-olds in the program.

Head Start, of course, is much more than child care. However, this expansion would increase the range of child care choices to poor families, while giving their children a better start in life.

4. *Liability Study.* In addition, at the President's direction, I have undertaken a study to determine the extent to which market barriers or failures prevent employers from obtaining liability insurance necessary to provide child care on or near their employees' worksites. A working group has been established at the Department of Labor to gather information about the problem on a nationwide basis. If

our efforts uncover significant barriers standing in the way of insuring prospective child care providers, we will recommend possible ways to address the problem.

Mr. Chairman, the Administration stands ready to work with you to craft acceptable legislation which is based on the four principles I have outlined today. I look forward to that opportunity and I hope we can begin such a dialogue in the coming days.

PREPARED STATEMENT OF SENATOR PETE V. DOMENICI

Mr. Chairman, I want to thank the Committee for giving me the opportunity to speak today during these hearings to consider child care legislation. I am very pleased this Committee is beginning to seriously examine the wide array of child care legislation before the Congress.

Much public attention has been given to child care, but most of that attention has focused upon legislation proposing to create a system of Federally-supported and regulated child care centers as a way to meet the child care needs of our nation's parents. Such legislation calls for a tremendous resource commitment, but would, I believe, miss meeting the considerable child care needs faced by most parents. With only about 12% of children being cared for in center-based facilities, many parents who have tremendous child care needs would never be helped by devoting large resources to such an approach.

It seems to me inappropriate that the Senate soon take up this legislation1 though many alternative, tax-oriented approaches—including the President's—have been introduced and are only now being examined by this Committee.

There is a great child care need in this country, but in introducing tax-credit child care proposals, I and many others see a broader and more basic set of needs. I see many young parents struggling greatly to afford the high costs of raising and caring for their children. Many need day-care so they can work, others need help putting together a combination of care arrangements. Still others forgo considerable earnings so one parent can stay at home and care for their children. All want to do better for their families, and all must make sacrifices.

The inability of these many young families to afford the high costs of care for their children is a serious national problem. I, and many others, believe strongly that the Federal government should help families to afford better care for their children, while keeping parents at the center of child care decision making. Several of us have have introduced legislation to do that.

It seems to me very appropriate that we look at the tax code and its role in child care. When the Federal income tax first began to claim a significant portion of working families' income during the 1950's the personal exemption had a value equal to 42% of average personal, per capita income. Today that percentage is a mere 17%.

With the tax code accommodating less of the costs associated with having children, its understandable that many new parents find themselves struggling to make ends meet. Low-income families, most of whom get no, or very little, child care tax benefits, become particularly strained.

Last year I introduced a bill to provide refundable tax credit assistance to families with young children. That proposal was similar to the child care tax credit that President Bush proposed, and which was introduced earlier this year by Senator Dole.

In that bill, I laid out a proposal to help families by providing direct assistance to all parents with young children. The basic principle of the proposal was to assist parents by accommodating the costs they all face by having children, not to have government choose care for parents. Assistance was given regardless of the care arrangements parents felt were best, or whether one parent wanted to stay at home with their child.

Since introducing that bill last year, I have been working on a new proposal with several of my colleagues, both in the Senate and the House, who had also introduced child care proposals which shared this same basic principle. Last week I was pleased to introduce with them S. 761, The Child Care Assistance Act of 1989. This legislation builds upon our earlier legislative efforts, as well as the far-sighted proposal set forth by the President. It provides for a comprehensive package designed to address the principle child care needs our nation's parents face.

The heart of the proposal is refundable child care tax credit for young children in low to moderate income families. It directly addresses the foremost child care need parents face—the need to afford better care for their children.

In addition the bill provides for grants to help States address a wide array of child care-oriented needs. It provides for a flexible and substantial block grant fund to enable States to address the particular child care problems they face, and to assure that services options for parents keep growing.

The legislation also provides for specific assistance to help address liability problems care providers face, as well to help providers meet licensing and accreditation standards. Provisions are also included to give employers increased incentives to offer employment-related child care assistance.

Let me note that our legislation does not provide for Federal standards. It recognizes that tradeoffs exist between stiffer requirements and the costs and accessibility of care. States are left to evaluate the balance that is best for their particular needs and circumstances—something which States are already doing.

This legislation is, I believe, a very strong proposal for dealing with the considerable child care needs American parents face. It calls for providing parents with considerable assistance, yet keeps parents at the center of child care decision making. It starts from the position that parents do want better care for their children and know better than government how their children should be cared for.

I urge the Committee to examine thoroughly our proposal, as well as the many tax-credit bills before it. Certainly no one bill necessarily provides the final answers, though we believe we have put together a very good package in S. 761.

Let us use these bills as a starting point, and make sure we put together child care legislation that truly meets the needs of all parents.

PREPARD STATEMENT OF ROBERT P. DUGAN, JR.

Mr. Chairman and Members of the Committee: On behalf of the National Association of Evangelicals (NAE) I want to express our appreciation for the opportunity to testify before this distinguished Committee on the child care issue. The NAE is an association of some 50,000 U.S. churches with 6 million members from 78 denominations. We serve a constituency of 15 million through commissions and affiliates. NAE has been a voice for evangelicals in Washington since 1943, through its Office of Public Affairs.

There is no question where the NAE stands on this issue. The emergence of the child care debate in the last session prompted the NAE to go on record with an official position on child care. At its annual convention last month, our Association unanimously adopted a resolution reading in part as follows:

> Christians understand that children need a close, loving and sustained relationship with their parents. The best providers of child care are loving parents for whom the care of their children in the home is the most important career. Nonetheless, child care outside the home has become a way of life for many American families. As a result, pressure is growing for the Federal government and other governmental agencies to support institutionalized child-care services for working mothers. However, we see a serious problem. Governmental involvement in the field of child care has the potential to undermine the nurturing of children while appearing to solve the child-care problem.
>
> Believing that parents have the prime, God-given responsibility for child care, the National Association of Evangelicals (NAE) calls upon the Christian community to support those governmental measures that embody the following principles:
>
> 1. The Federal Government and other governmental agencies should leave to parents the choice of how to care for their children—to care for them at home, to entrust them to family or friends, or make any other arrangements they believe appropriate. Parents, not government, should decide what is best for their children.
> 2. The Federal government and other governmental agencies should concentrate any child-care assistance in the form of tax credits to lower-income families with younger children, not grants to providers of child-care services. Tax credits should not discriminate against women who choose to work in the home.
> 3. The Federal Government and other governmental agencies should not establish credentials or guidelines for the provision of child care that would favor secularized child care. Parents who believe in religiously-oriented care for their children should not suffer discrimination.

These principles clearly imply opposition to the Act for Better Child Care Services and its variants, and conversely imply support for a tax credit approach upholding parental choice.

We were there when the initial salvo on child care was fired in the United States Senate. The ABC bill was greeted with what seemed to be virtually universal approbation. Indeed, the well-orchestrated parade of horror stories and worst case scenarios achieved the desired effect—an atmosphere of inevitability. Something simply had to be done, we were told, before the child care crisis paralyzed working America. We were left wondering how toddlers had ever managed to emerge unscathed! A voice of dissent was scarcely to be heard. One of the very few permitted to inject a note of caution in the proceedings said he felt like the proverbial illegitimate son at a family picnic.

Fortunately, the number of bills introduced since the initial ABC fanfare indicates the jury is still out on the proper way to handle the child care issue. We are confident that the world's greatest deliberative body is going to take a long, hard look at the child care "crisis" before passing another huge spending program and subjecting child care to pervasive Federal regulation and control.

Our reference to the alleged child care crisis indicates that we remain unconvinced. We are not experts, but certainly the 1987 Bureau of the Census Report *Who's Minding the Kids?* casts considerable doubt on the allegations of those who would have Congress believe such a crisis exists. According to that report, the majority of preschool children (under age 5) are cared for by their own parents: 54% have a mother at home, 7% have "tag-team parents", 4% accompany their mothers to work or are cared for by mothers who earn income at home. Of these preschoolers who do have substitute caregivers, 11% are in the care of a relative, 10% go to a family day care home, and 3% have a baby sitter. Only 11% are enrolled in center-based care.

To suggest that the child care "crisis" may not live up to its billing is not to suggest that all's well on the homefront. The American family is in trouble. Much of its ills are beyond the power or ability of government to cure. But one thing is surely clear. Congress should refrain from acts of commission or omission that hurt the family.

Arguably, that has not been the case. It used to be an article of faith that the Federal income tax was based on the ability to pay. Consistent with this fundamental precept, tax benefits for dependents were allowed that by today's standards were generous. While Congress has recently acted to increase and index dependent exemptions, they would have to be increased three-fold to be the economic equivalent of what they were in the late 1940's. Thus we favor legislative initiatives that would lessen the Federal tax burden on the family, especially lower income families.

At the same time, we oppose legislation that discriminates against the parental choice, often at some sacrifice, for a parent to care for a child at home. It is charitable to characterize as "misguided" present tax policy which denies child care tax benefits to low income, single earner traditional families with small children while granting them to two earner families with double the income. Accordingly, we support legislation that would provide tax credits for pre-school children, whether or not the parents choose to pay for child care. Of course, parents always "pay" for child care, either in cash or in the form of income forgone.

The tax credit approach seems especially desirable because it preserves intact parental choice. To hear some educational experts pontificate, one would think that parents do not know what is best for their children. They do. Parents are way ahead of whoever is in second place as judges of child care arrangements best suited to their children. It may sound trite, but we continue to believe that all the child expertise in the world of institutional care providers is no substitute for a mother's love.

The tax credit approach is also to be preferred because it avoids possible constitutional problems raised by programs of direct aid to church-related child care centers. Government programs that are wholly neutral in offering financial assistance to a class defined without reference to religion do not violate the Establishment Clause because any aid to religion results from the private choices of individual beneficiaries. With the tax credit approach to child care, the decision to support religious day care is that of the parent, not the government.

This matter of religiously oriented child care is reason enough, standing alone, to reject the ABC approach which excludes such care from benefits. Discrimination against parents with religious convictions who entrust their children to church-based child care seems especially unseemly in a nation whose very motto is "In God We Trust."

Whatever course Congress decides to take, it must preserve religiously-oriented child care providers who, by all accounts, furnish at least one third of institutional child care. Apart from the hostility of the ABC approach to church-based child care, we question the wisdom of government as National Nanny.

Day care advocates seemingly regard the home environment to be inadequate, as if mothers lacking professional credentials and degrees in psychology cannot raise children properly. Pardon our sarcasm, but are we to believe that if children are removed from the hazards of the home, to be given the advantage of qualified, professional supervision, the mother will then be released from domestic drudgery to engage in *truly* productive pursuits in the work force? That may not be what they are saying, but that, we think, is what they believe.

One group not buying this is Mothers-At-Home, an organization devoted to the support of mothers who choose, or would like to choose, to stay home to nurture their families. Their views on the child care issue are set out in the persuasive report "Mothers Speak Out On Child Care." We understand that this report is being made available to every Member of Congress, but to insure that this Committee and its staff have the benefit of their insights, with your permission, Mr. Chairman, I would like to see it included in the record. I hope the Committee will note especially what these mothers regard as three common misconceptions about the child care "crisis":

(1) The belief that most mothers today need substitute child care.

(2) The belief that the needs and desires of mothers and children are accurately portrayed in the media.

(3) The belief that providing more "quality care" is our only realistic option.

Mr. Chairman, I urge this Committee to weigh the claims of the various day care advocates against the advice of those whose interests they seek to promote. Amid all the testimonies and hype, the mother at home seems to be the forgotten woman.

To sum up:

- A tax credit approach does not restrict parental choice to licensed professional care providers, while excluding trusted relatives, friends, or neighbors as providers, and thus is genuinely pro-family.
- A tax credit approach must not provide benefits for two-income families while denying them to parents who sacrifice to care for their children at home, to be considered genuinely pro-family.
- A tax credit approach does not provide benefits for patrons of commercial day care centers while denying them to parents who out of conviction choose religious day care, and thus is genuinely pro-family.

Enclosure.

Mothers Speak Out on Child Care

Mothers-At-Home™

Mothers-At-Home is a non-profit (501C3) organization devoted to the support of mothers who choose (or would like to choose) to stay home to nurture their families. It was founded in 1984 with a three-fold purpose in mind:

- to help mothers at home realize they have made a great choice -- one made by many smart women today;
- to help mothers excel at a job for which no one feels fully prepared;
- to correct society's many misconceptions about mothering today.

Mothers-At-Home accomplishes these goals by:

- publishing Welcome Home,™ a monthly newsletter that puts mothers at home across the country in touch with each other;
- researching, writing, and speaking on topics of interest to today's mothers;
- speaking out everywhere from the popular talk shows to the major news networks, and sharing everything from advice at parenting conferences to testimony on Capitol Hill.

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Preface

Mothers-at-Home is concerned that the current clamor for more and "better" child care will push legislators into adopting policies that most parents do not want. We are convinced, after five years of hearing from thousands of mothers on this very topic, that the true nature of today's child care crisis is sorely misunderstood; and that leaders who have been quick to listen to the ideas of special interest groups have overlooked the thoughts and feelings of the most important group of all -- the nation's parents.

In hopes of giving a voice to mothers in particular, we have prepared **Mothers Speak Out on Child Care** -- a concept paper which describes the child care crisis as we understand it. In the course of compiling this paper, we have studied various legislative proposals, reviewed conservative and liberal policy papers, examined widely-acknowledged studies, and kept abreast of related media coverage. However, the conclusions outlined here are not dependent on these sources; rather, our assessment of the child care crisis and our suggestions for solving it have grown out of firsthand experience with the mothers who are living it. In fact, the paper itself is the result of a year's work by a host of volunteers, many of whom have personally experienced the heart-wrenching decisions discussed in the following pages.

We challenge those who read **Mothers Speak Out on Child Care** to consciously seek out mothers and listen to their views on these timely issues, then judge for themselves the accuracy of this report.

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Mothers-At-Home would like to note that the ideas expressed in this paper may be valid for fathers as well as mothers. We choose to speak in terms of mothers because mothers are the group we hear from and therefore the group we truly represent.

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Mothers Speak Out on Child Care

Legislators under pressure to end the nation's child care woes may be rushing to give America's mothers precisely what they do not want. The fact is, as political cries for "more quality day care" reach a near-deafening level, millions of women are quietly looking toward another kind of solution to the child care crisis: They are looking for creative work options that allow them to rear their own children. Whether they choose to pull back from full-time work to part-time, to open a home-based business, or to quit work altogether while their children are young, the motivation for most mothers remains the same -- to keep their children out of day care.

Yet, political leaders, perhaps unaware of this trend, are ready to provide mothers with exactly the kind of care they are trying to avoid. Sought out by various day care advocates -- representing business, labor, social services, and education -- many legislators have considered the advice of everyone except the very group whose interests they seek to promote: the nation's mothers.

When the child care crisis is viewed from the eyes of today's mothers, it becomes evident that political leaders have fallen prey to the following misconceptions:

Misconception #1: The belief that most mothers today need substitute child care.

Misconception #2: The belief that the needs and desires of mothers and children are accurately portrayed in the media.

Misconception #3: The belief that providing more "quality care" is our only realistic option.

These misconceptions, which have led to a serious misunderstanding about who today's mothers are and what they need, demand closer examination.

Misconception #1

THE BELIEF THAT MOST MOTHERS TODAY NEED SUBSTITUTE CHILD CARE

For the past twenty-five years, almost the only news the American public has heard about mothers is that they are leaving home for the workplace. At the basis of every discussion of the subject are government statistics -- indisputable evidence that the number of mothers in the labor force has risen dramatically over the years. However, a general misunderstanding of what these figures actually measure has led to inaccurate and potentially dangerous conclusions about society's need for more child care.

Statistics On Working Mothers Do Not Measure Child Care Needs

Everywhere from Congressional hearings to local meetings of the PTA, the same cry is heard: Mothers are working, and there is a critical shortage of child care for their children. Leaders from every sector of society are urging immediate action, backing their pleas with government statistics that have become so well known and widely accepted that hardly a reference to motherhood escapes mention of them.

"Those who decry the trend for children to be placed in out-of-home care must accept the fact that American society has changed," stated the American Academy of Pediatrics last year in testimony before Congress. *"More than 50% of mothers with children under one year of age are in the out-of-home workforce. Greater than 60% of mothers with children under three are similarly employed."*

At the same hearing before the House Committee on Education and Labor (February 25, 1988), the YWCA reported: *"Our country is faced with a major child care crisis because the number of children with working mothers has grown tremendously. By 1995, two-thirds of all preschool children will have mothers in the workforce; and four out of five school-age children will have working mothers."*

Most likely, the representatives of these organizations based their use of the statistics quoted above on media reports, which invariably combine announcements of the latest government figures with stories of mothers struggling to manage full-time jobs while searching for "quality" child care. Media presentations of this nature give most people the impression that every mother who joins the workforce needs a child care provider or access to child care facilities.

This perception simply is not true. Millions of mothers who are considered by the government to be an active part of the labor force do not need or want substitute care for their children. In fact, a close look at the statistics reveals that a large number of these so-called "working mothers" actually consider themselves "at home."

The U.S. Department of Labor Definition of "Work"

Almost every reference to the number of mothers in the workforce, including the three quoted above, can be traced back to the statistics on women and employment released annually by the U.S. Department of Labor (DOL). These statistics are based on a survey of 60,000 "scientifically selected" households, conducted each March by the Bureau of the Census. Because the objective of the survey is to identify trends by comparing labor force participation from year to year, the DOL has had to devise a standardized definition of "employment." This definition reads:

> Employed persons are those who, during the survey week: (a) did any work at all as paid civilians; (b) worked in their own business or profession or on their own farms; or (c) worked fifteen hours or more as an unpaid worker in a family-operated enterprise. Also included are those who were temporarily absent from their jobs for such reasons as illness, vacation, bad weather, or labor-management disputes.

This definition clearly encompasses more than the full-time working mothers most people have imagined. According to spokespersons at the DOL, the 65% of mothers who are usually described as "working outside the home" also includes:

1. **Mothers who work part-time, as little as one hour per week and up.** In a Newsweek-commissioned Gallup Poll of 1,009 women (reported in the March 31, 1986, issue of Newsweek), over half the mothers interviewed who were working part-time or flexible hours "said they had cut back or changed jobs to be with their kids." In other words, mothers who choose part-time work often do so just to avoid the need for substitute child care.

Such is certainly the case for the part-time workers who write to our organization. For instance, Diane Gates from Essex Junction, Vermont, writes: *"When [my boys] started school, I went out and got a job working with special education children. I see my children off in the morning, and I'm home when they get home from school. I would give no one else the privilege of watching my children grow. What a beautiful career, being a mother."*

According to the DOL, 16.5% of all mothers worked part-time in 1988. Only 44.4% of the nation's mothers were actually employed full-time.

2. **Mothers who work seasonally, as little as one week out of the year.** Many mothers who work do so while their children attend school and avoid employment during their children's summer vacations. Other mothers work only occasionally during the year, perhaps substitute teaching, selling handcrafts, or helping a business during a high-volume period. These mothers who work seasonally are also calculated into the DOL statistics, although some work as little as one week out of the year. According to DOL tabulations, only 33.1% of all mothers with children under the age of 18 work full-time year round. That figure drops to 25.9% for mothers whose youngest child is under six years of age.

3. **Mothers who work from their homes.** Whether working for employers or running their own home businesses, many mothers avoid child care by working from home. From Ann Arbor, Michigan, Diane Spears, a single mother with three children, writes, *"I am doing some work in my home to help make ends meet. Money is tight, but I feel my responsibility is in the home with my children. I don't know of anyone better qualified than myself to raise my children."* Another single mother, raising two boys in Piedmont, California, tells us: *"I've been working at home as the primary provider for seven years. I didn't want to miss any of the rewards being a mother at home brings."*

The DOL, however, makes no distinction between women who work at an office or factory or some other facility and those who work in their own homes. Therefore, an unknown percentage of the DOL's mothers who supposedly "work outside the home" refer to mothers who work with their children around them, literally inside the home.

4. **Mothers who provide child care for other mothers.** Both full-time family day care providers and mothers who collect a check for watching a neighbor's child a few hours each day after school are counted in the DOL figures. Typical is Cindy Guzman, from Sacramento, California, who speaks of the days when she was working outside the home herself as opposed to her current situation as a family day care provider. She writes: *"When my first son was four weeks old, I had to start a new job. It was a hard separation for me, [but] as time went on, we both adjusted. When my second son was born, I was once again faced with returning to work. [Instead] I checked out doing licensed child care . . . I have been home for two years now and looking back, am proud of my thriving day-care business, my steady income, and my two boys growing up at home."*

5. **Mothers who work without pay for a "family-operated enterprise" at least fifteen hours per week.** Some mothers at home who write us mention participating in a family business. Whether or not they are paid for their work, these women are within the national definition of "working mothers." Yet, most of them are able to do their work from home or to perform their work during hours that allow their children full-time access to "Mom." Writes a former insurance agent, now the mother of one in Fort Lauderdale, Florida: *"I do not have an income, but I am my husband's bookkeeper for his business, and I do many jobs that are his when I have time at home, so we can spend more time together as a family."*

6. **Mothers who work full-time but have flexible hours.** Even mothers who are employed full-time can defy the media image of the working mother. By arranging flexible work hours or by having their husbands do so, many women go to great lengths to avoid leaving their children in a day-care center or with a sitter. Although they definitely consider themselves working mothers, they are usually home when their children are home. An example is Linda Hayes, a mother of two from Vienna, Virginia, who works the so-called "mother trip" as an airline stewardess. An especially grueling assignment, which condenses a week's worth of work hours into back-to-back flights that can be completed in two days, it is nevertheless so popular that only women with nearly twenty years of seniority are able to request it. Says Linda, *"It's just not in me to leave [my girls] so much of the time."*

In some families where both parents are employed full-time, the husband and wife have a "tag team" arrangement: They plan their work schedules so that one of them gets home as the other is leaving for work. Thus, one parent is always available to care for the children. The DOL figures do not include information about child care arrangements; however, the Bureau of the Census (Who's Minding the Kids? 1984-85) reports that 7% of the nation's children under age five have "tag team" parental care.

7. **Mothers who are on maternity leave, whether or not they return to their jobs.** Women on maternity leave also are numbered among the working population. This would include mothers like Camille Globerman, who later decided not to return to work. From New City, New York, she writes: *"I have been on maternity leave for the past sixteen months, and now I am faced with the decision to either resign my job of $35,000 or leave my precious to another person for a ten-hour day! Even though the money is tempting, my husband and I feel that raising our daughter is more important; therefore, I'm going to resign."* During her first sixteen months at home, the DOL presumably would have termed Camille a "working mother."

8. Mothers who are unemployed, but who are looking for work. Since women who are job-seeking generally do not remain unemployed for long, they are considered an active part of the labor force and are counted as such. In 1988, 6.5% of the DOL's "working mothers" were unemployed.

Inaccurate Estimates of the Demand for Child Care

Thus, the Department of Labor's statistics on working mothers include women who participate in the workforce in a variety of ways -- not just full-time employed mothers or those whose job circumstances dictate the need for child care. In fact, the Current Population Survey, from which the statistics are drawn, does not (at this writing) ask respondents any questions about child care; nor can a respondent's need or desire for child care be inferred from answers to other questions.

Yet, the notion persists that every mother who participates in the labor force needs substitute care for her children. This mistaken assumption has led many well-intentioned people -- from community leaders to reporters to Congressional Aides -- to routinely misuse the DOL statistics as "proof" of the need for more day care. It has even led researchers to project how many children will need day care in the near future by devising formulas based on the faulty premise of how many working mothers have been "counted" by the DOL. In reality, as explained above, many mothers who are considered an active part of the labor force do not need any child care services at all. Therefore, estimates of child care needs based on the DOL's employment statistics on women are both inaccurate and misleading.

Unfortunately, other methods of measuring child care needs either do not exist or have not been widely publicized. Possibly the most reliable indicator of child care trends across the nation is the aforementioned Bureau of the Census report, Who's Minding the Kids? It summarizes the results of a 1984-85 survey in which working parents were asked to describe primary and secondary child care arrangements for their three youngest children. According to this report, most children over age six are actually in school the entire time their mothers are at work. Children who require secondary (before and after school) arrangements or whose parents work during non-school hours are mostly cared for in their own homes and/or by relatives or friends.

The majority of preschool children (under five years of age) are cared for by their own parents: 54% have a mother at home, 7% have "tag team" parents, and 4% accompany their mothers to work or are cared for by mothers who earn income from home. Of those preschoolers who do have substitute caregivers, 11% are in the care of a relative, 10% go to a family day care home, 3% have a babysitter, and 11% are enrolled in center-based care.

This report indicates that the number of children under the age of fifteen in need of non-parental child care may be far from the majority. However, even a survey of how children are cared for today is only a measurement of current use, not a statement of need. Until further research is done, no one can provide an accurate assessment of how many of the nation's women who are described as "working mothers" really need or want substitute child care for their children.

Misconception #2

THE BELIEF THAT THE NEEDS AND DESIRES OF MOTHERS AND CHILDREN ARE ACCURATELY PORTRAYED IN THE MEDIA

It is clear that more mothers than ever before are participating in the workforce in some way. It is equally clear that these mothers are experiencing a deeply emotional crisis concerning the care of their children. Yet, in spite of considerable media coverage, the true nature of this crisis remains largely misunderstood.

The truth is that most people's understanding of the child care crisis is based on the media's perception of the problem. That perception -- as portrayed in news stories, on talk shows, in books, on television, and in the movies -- is far from what mothers really want and children really need.

Today's Mothers Defy Media Stereotypes

Media coverage for the past three decades has almost universally divided mothers into two distinct camps: mothers who are home with their children (pictured as a shrinking minority) and mothers who "work outside the home" (identified as the growing majority). Mothers at home are supposedly politically conservative, married to a high wage earner, and ideologically committed to the view that women belong in the home. "Working mothers," on the other hand, are depicted as educated women pursuing self-fulfillment in the workplace and mothers forced to work for economic reasons.

The outpouring of letters we have received over the past five years, from mothers of nearly every political, religious, and socio-economic background, completely contradicts this picture.* We have heard from single mothers who have managed to stay home, wealthy women who feel they "must" work, political conservatives who have balanced career and family for years, and ardent feminists who quit work as soon as their first child was born. Thus we have learned that mothers simply cannot be categorized by their work/home choice.

If anything unites mothers today, it is not the choices they make concerning the care of their children; it is the exhausting inner turmoil they suffer as they weigh the alternatives. Pulled one way by an intense social and economic pressure to work and pushed another by a dawning realization that they are truly needed by their children, most mothers feel hopelessly torn. In fact, many of them wander in and out of the workforce -- seeking from society support at work, then at home -- only to find it severely lacking in either place.

A Generation of Women Unprepared for Children

In spite of the depth of their internal battles, over one third of the nation's mothers choose to forgo any labor force participation at all in order to devote their full-time efforts to nurturing their families; many others are employed only part-time or make creative arrangements that limit the amount of time their children spend in substitute care. Meanwhile, the child care needs of the remaining mothers extend far beyond the search for "quality care" so urgently depicted in the media. Rather, the media's "typical" mother -- a woman whose preschoolers are subjected to a nightmare of inferior child care arrangements while on the waiting list for a "good" day-care center -- is a mere glimpse of a much larger, much more poignant story.

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*See Appendix A: What You Need to Know About Today's Mothers

It is the story of a generation of women who were led to believe that motherhood could be "hired out," and that life with children need not differ much from life without them. It is the story of women who had no real idea of what caring for a child would feel like or of the sophisticated skills and the sacrifice of time it would require. It is the story of women like Kathy Miller Rindock from Allentown, Pennsylvania, who writes: *"I have always strongly supported the women's movement and consequently was totally unprepared for the depth and strength of emotional commitment I felt for my daughter. I never even considered not returning to work, so I wasn't prepared financially when I didn't want to resume my job. I am angry and frustrated and hurt."*

Women like Kathy, influenced by the "have it all" hype of the seventies and early eighties, expected a relatively simple adjustment to motherhood. Supposing that caring for a child somehow "comes naturally," and consists of fairly straightforward tasks, they rarely thought beyond feeding, bathing, and cuddling an infant. Hiring someone to do these things for them while they were at work seemed perfectly reasonable, as did spending "quality time" with a child each evening.

However, these women have discovered that the kind of nurturing they want for their children requires more than custodial care; it demands the full-time attention and untiring efforts of someone who has a vision of what their children can become. Sometimes only days after childbirth, many women begin to feel reluctant to return to work, even desirous of quitting work altogether to stay home. Confides a mother from Franklin, Tennessee: *"My husband and I both thought I would return to work after my year of maternity leave, but I never knew the feelings I would experience after I held [my baby] in my arms."*

Explains Pam Svoboda, of McCook, Nebraska: *"I had no doubt I would go back to work. Throughout all nine months of pregnancy I assured everyone that I was not a 'homebody,' that I'd be bored at home. Then she was born. I had no idea she would be so special."* Writes a mother from Kingwood, Texas: *"I believed all the magazines -- I intended to go back to work after a three-month maternity leave. In reality, I found an overwhelming love for my child and child care options that made me cry."*

If mothers like those quoted here could simply change their minds overnight to be home with their children, there might not be a child care crisis. However, many -- perhaps most young women today -- are totally unprepared financially, professionally, or even socially and emotionally to stay home with a baby. In fact, full-time mothering is currently so low in prestige, so economically difficult, and viewed as such a threat to professional advancement that even women who want to quit work find the obstacles insurmountable.

Writes a discouraged mother from New Paltz, New York: *"I've been a career woman since I was seventeen. I just assumed that after the birth of my son I would return to work and life would go on as before. . . . I finally had the career position I had worked for all my life, a beautiful healthy child, nice home -- and I was miserable. No one ever told me how I was going to feel about that little boy . . . After much soul-searching, I decided that what was important to me was not supporting a life-style, but living life, so my husband and I decided that we would sell our very expensive home in a very expensive neighborhood and move 'down.' My problem now is that I can't seem to make that final decision to leave work completely."*

And so, many first-time mothers return to work, uncertain of their decision to do so, but assured by popular literature, media stereotypes, and well-meaning friends that they will "adjust" as soon as they locate "quality child care."

The Search for "Quality Care"

Thus it is with certain misgivings that many, if not most mothers begin the search for substitute child care. Although their individual stories vary widely, most are merely variations on a theme: Try as they might, these mothers cannot find a sitter or day-care center they feel comfortable with. Together their combined experiences create an incredible portrait of a generation of mothers who want day care to work; who try hard to ignore symptoms that it might not be going according to plan; yet who, after numerous trials with every available kind of care, discover that day care is not the way they really want to rear their children.

These mothers describe how, in the midst of the highest expectations, when they are least likely to look for something wrong with a child care situation, they feel the first vague stirrings that all is not well. They speak of observing small, everyday exchanges between their children and caregivers that bother them in a way they can neither explain nor forget; until inevitably, these stirrings evolve into questions, and the questions lead to investigations, which in turn initiate yet another series of disappointing child care arrangements. Then, for many of these mothers, come sleepless nights, as they reluctantly acknowledge that a child's feelings about himself and his place in the world are not molded in the few hours a mother has after work; rather a child is formed in the midst of the most common interactions during the course of a thoroughly ordinary day.*

After weeks, months, sometimes years of unsatisfactory child care experiences, many mothers do indeed become the media's familiar anguished mother, desperately trying to locate a "better" sitter or a "more loving" day-care center. The critically important question, then, is: Why? Why is it that mothers who apparently have access to a multitude of child care providers cannot find one that satisfies them? And why, when they have been repeatedly warned that children in day care have an urgent need for consistency, do they jeopardize fulfillment of that need to try "one more" promising child care arrangement? Is their inability to find adequate care really an indication that there aren't enough clean, safe, and well-regulated day-care spaces to choose from? Or could it be that cleanliness and safety are not all these mothers are looking for?

We believe that most mothers who cannot find satisfactory child care are not suffering from a lack of "quality" options. In fact, many of them feel they have already experienced the best there can be. We believe these mothers go from sitter to sitter and center to center because they are continually looking for something that no substitute caregiver can ever provide: the same love and care each mother would give her own child in her own home.

What Children Need

Of course, not all mothers struggling with child care problems share identical feelings and situations. However, it is significant that so many women who feel compelled to speak out about the conflicts they feel are describing the same surprising conclusion: there is no adequate replacement in the life of a child for the intimate, full-time guidance of a loving parent.

This "discovery" is not what today's mothers were taught, nor what they expected when they first embarked on motherhood for themselves. They have learned it from their own experience:

Explains a mother from Wisconsin: *"I was extremely confused by the negative behavior my daughter was exhibiting while being cared for by a relative, and it became more intense when I placed her in a day-care center at the age of three. Neither her pediatrician nor the day-care center agreed with me that my daughter's behavior was caused by day care. Therefore, I was shocked and angered to*

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*See Appendix B: "A Search for Child Care -- One Mother's Story" *realize exactly what my daughter was missing when I did quit my job. I honestly didn't realize my presence and interaction with my daughter were essential to her growth and development."*

From Ann Arbor, Michigan, a former teacher with extensive training in child development writes: *"When I first became a mother, I continued to work outside the home for several years, but found myself increasingly disturbed and dissatisfied with the care our children were getting, even in 'good' day-care centers. It was a sacrifice for me to quit my job, but my husband and I felt it was a greater sacrifice to put the kids in day care."*

A full-time clerical worker and mother of two preschoolers from Tallahassee, Florida, says simply: *"Sometimes I worry that I will not be able to reverse the damage done to my children when I am finally able to stay home."*

With unusual conviction, mothers tell us that children need a full-time parent because only someone as devoted as a mother or father has the perspective needed and will put forth the effort required to nurture a child to his or her full potential.

From Milwaukee, Wisconsin, Mary Brauer comments: *"...The most important thing we can do for mankind [is] raise the future generation with 'custom-made love' as only a child's own parents can give."*

Diane E. Poliseno, a mother from Lake View, New York, tells us: *"I became a teacher because I do love children. I wanted to be a part of influencing the future of our country...but my child (and future children) are even more important, and I wanted to be responsible for building their characters and shaping their personalities on a day-to-day, moment-by-moment basis -- something that can only be done with me being at home during the day."*

Writes Lora Rinker from Arlington, Virginia: *"I feel that I am a very privileged and very fortunate person to be having this beautiful experience of really knowing my children, sharing and helping them with their plans and dreams, and just being there when needed. The events of each day may not seem so big and important, but when you add them all up, they are life itself."*

Interestingly, those who work with children on a regular basis, especially those who provide substitute child care, express especially strong opinions about the importance of having one parent always available to a child:

From Honolulu, Hawaii, a 20-year-old, unmarried day care worker writes: *"I am so concerned for children whose mothers work full-time. You see, I've been working in a nursery school and after school program for the past five years. Those kids need individual attention so badly, but they don't get it. Most kids want to go home to be with mommy right after school. They want to hug and kiss their moms ... talk and show off for their parents. But all they get is me. I try my best, and I love those kids so; but I'm not mommy."*

A teacher from California, and former nanny for a White House Aide, explains: *"I was the best they could hire, and they were the ideal employers. They paid me as much as I could have made teaching, and I got along well with both the mother and the children. Still, after that experience I am certain that when I have my own children, I will not work outside the home. There is no one who is going to raise your kids like you would."*

A mother of four from Canton, Ohio, comments: *"When I worked at a day-care center shortly after graduating from college, it was more like babysitting than childrearing. I simply dealt with children from moment to moment, going around putting fires out. Although I considered myself a sympathetic and caring person, I really was more interested in my coffee break and visiting with friends than in the children at the center. I didn't have the feelings for those children that I have for my own. When I talk to my children, I consider their self-esteem. I try to enrich them in many ways to make them everything they can be. I'm concerned with the whole child and the end product because I have such a vested interest in what they'll become."*

The realizations voiced by these mothers are perhaps best summed up by Arlene Cardozo in her most recent book, Sequencing. After interviewing hundreds of women who chose to leave substantial careers for full-time motherhood, she concludes: *"...[A]s we come to value our children as our most important natural resource, we see the necessity for them to receive the best possible care. We are coming to recognize that care means much more than supervision and stimulation. It also means the day-in, day-out, consistent involvement of the child with someone who truly loves her and cares deeply for her future."*

What Mothers Want

What, then, do mothers want? Recent studies and surveys are making it increasingly clear: Mothers want more time at home.

In the 1986 Gallup Poll for Newsweek mentioned earlier, 1,009 women were asked whether they thought "a mother who works full-time or part-time can adequately fulfill her responsibilities to her child." Only 50% of the respondents felt a full-time employed mother could do so, while an overwhelming 86% thought a mother working part-time hours could. Of those same respondents, 52% identified themselves as full-time employed mothers with regular hours. However, when asked whether they would prefer full-time regular hours, full-time flexible hours, part-time work, work from home, or unemployment, more women wanted to quit work completely (16%) than wanted to continue regular full-time employment (13%). The highest preference by far was part-time work (34%), with flexible hours emerging as the second choice (23%).

In The Motherhood Report, a book reporting the results of a 1985 study of 1,100 mothers, authors Louis Genevie, Ph.D., and Eva Margolus found that *"...the majority [of working mothers], 55%, experienced moderate to very strong conflict about the fact that they had to leave their children every day to go to work. ... [T]he only background characteristic that reduced a woman's feelings of conflict about going to work was money. The more money a woman earned, the less conflicted she was likely to feel. ...Most women, however, do not earn professional salaries; nor is their work intrinsically interesting. And when these women compare their responsibilities at work to their responsibility to their children, it is little wonder that work comes in a distant second."*

More recent surveys indicate that the number of mothers expressing a desire to be home with their children is increasing. In the October 20, 1987, issue of Family Circle, the results of a survey to which nearly 50,000 women responded were published. When asked to respond yes or no to the following statement: *"If it were possible, I would quit my job to stay home with my children,"* 67.6% said yes. The July/August 1988 issue of Public Opinion reported that a survey conducted during the summer of 1987 by Mark Clements Research found that 88% of the mothers polled who worked either full- or part-time agree with this statement: *"If I could afford it, I would rather be home with my children."*

The exceptionally candid letters we receive from mothers across the nation confirm the results of such polls. Our letters indicate that most mothers today either do not need or do not want substitute child care. Firsthand experience with day care has shown mothers that it doesn't do the job; that no matter how "quality" it becomes, it will never do the job. Letter after letter, from mother after mother, expresses a single heartfelt longing:

From a mother in Pennsylvania: *"I got a surge of hope and energy after reading about your group. I'm a working mother, albeit a very, very reluctant one. My daughter will be six months old tomorrow and not a day goes by without me grieving over losing these precious days with her. I have to work, but my husband and I are doing everything possible to get ourselves on our feet financially so I can work part-time by autumn."*

From a mother in Haymarket, Virginia: *"I am, unfortunately, a working mother who commutes 50 miles each way. It's hard to have a young child and leave for work at 5:45 a.m. I do feel very frustrated concerning my need to work. I would like to be a full-time mom, until school age anyway."*

From a mother in Madison, Wisconsin: *"Although I returned to work after a year's maternity leave -- and only work half-time -- I still am seriously considering being a full-time mother at home. But I need support! It seems that most literature today supports the woman who 'does it all.'"*

From a mother in Grand Rapids, Michigan: *"I am writing in response to a recent Phil Donahue show I saw on mothers who stay at home. The comment was made about hoping to provide an economical way for mothers who are forced to work to be able to stay home more with their children. I was very interested in this because I am in that situation."*

From a mother in High Falls, New York: *"I'm a single parent supporting two children and I've been working outside my home for years. I've always held the hope that I could be an at-home mom, but as time goes by and my children get older, the prospect seems more distant than ever. I just want you to know that I support your efforts to make full-time motherhood a real alternative."*

What most mothers want today is the chance to rear their own children in their own homes without jeopardizing the opportunity for fair and equal participation in the labor force in the future. They want flexibility in the workplace so they can have time at home when their children most need them.

Accepting What Mothers Want and Children Need

Unfortunately, neither the media nor political leaders welcome the thought that helping mothers spend more time at home might be a significant step towards averting a looming child care crisis. To many, such a contention appears to contradict hard-earned liberation and enlightenment. Yet, the truth is that the mothers decrying day care today are the product of that enlightenment. If anything, it is their very awareness of their rights, especially in the workforce, that drives them to speak out about their desire to be with their children.

From Houston, Texas, a mother writes: *"I am an attorney who became de-liberated by my daughter who is now fourteen months old. Gloria Steinem can no longer be my role model. As I was a pathbreaker ten years ago in the professional arena, I now find myself again a pathbreaker as a professional who chooses to shelve a career, temporarily, to commit myself to raising a family in the best manner possible."*

A single mother from Illinois, reflects: "*Although I grew up in the rural Midwest, in a home that preached and practiced equality, the choice to work at home was somehow less than equal -- at least in my mind. Ironically, it has taken all of my feminism and activism to find the place where I can parent and be content with my decision -- that place is home.*"

As a society, we have long equated women's progress in the workplace with the struggles of the working mother. In fact, there is fear that giving childrearing a place of importance in a woman's life will somehow forsake the gains in equality that have been made. Yet, women who feel forced to work when they would rather be home are every bit as unliberated as women who feel forced to stay home when they would rather work. It is critical that we move forward by acknowledging that helping mothers put their children first does not have to threaten the full and equal participation of all women in the labor force.

Accurately Assessing Child Care Needs

Before any "solutions" are rushed through Congress, it is imperative that the true needs of families be accurately assessed. To date, almost no systematic research has been done to determine what child care arrangements parents most prefer or how to make their top preference readily available. Rather, most studies simply assume that institutional day care (which can be easily regulated for safety and affordability) will become the favored option of the future, and their survey questions reflect that assumption.

The open and deeply moving expression of feelings we have received from parents across the nation reveals a need to ask questions few researchers seem to have considered: What do parents believe is best for their children? What do they feel their ideal child care arrangement would be? What would have to happen to make that arrangement possible? What kinds of child care options have parents tried in the past and how did they feel about each one? Are there arrangements that parents recognize as "good" for them, but harmful for their children? What requests have parents made of employers in hopes of preventing or reducing the need for substitute child care, and how were those requests received? Would changing a spouse's work situation (i.e. flexibility at work or the ability to work from home) make it possible for a number of families to avoid child care altogether? Would parents prefer this flexibility over "good" substitute care?

There seems to be a significant difference between what the media say about mothers and what mothers say about themselves. Unfortunately, policy makers who depend on and trust the media to provide accurate information may be tempted to take the word of newspaper columnists and television news anchors over the personal experiences of a mother in Kansas City or a factory worker in Baltimore. It is time to carefully and openly review the facts surrounding the child care crisis, and to demand an accurate assessment of the nation's child care needs, as expressed by the mothers and fathers of the nation's children.

Misconception #3

THE BELIEF THAT PROVIDING MORE "QUALITY CARE" IS OUR ONLY REALISTIC OPTION

Almost everyone agrees that full-time substitute care of any kind is not the optimal way to raise a child. Yet, the full-time care of a loving parent -- once thought to be every child's birthright -- is now being dismissed as a Utopian dream. Day care may indeed be a "second choice" way to raise children, assert the "experts," but we should nonetheless be prepared to face reality. Because women "must" work, day care is unavoidable -- a necessity we must learn to live with, like root canals and taxes.

What experts do not take into account, however, is that where rearing their children is concerned, most mothers believe they should have more than second choice. Why, these mothers want to know, are we rigidly heading toward a clear second best solution to the current child care crisis in a country that has always pledged that its children deserve the best? Why aren't we investigating alternatives that could guarantee mothers a true choice of how their children will be raised?

There Are Many Creative Alternatives to More Day Care

We believe the child care crisis can be solved without spending billions of dollars annually and without encouraging the kind of child care that mothers do not want. Suggestions have poured into our organization from parents across the country -- parents who know firsthand the sorrow of having to leave their children, parents who have thought deeply about what is best for their families, parents who are not afraid of innovation and creativity when it comes to solving a national problem of serious proportions.

We have divided these suggestions into six categories, each of which assumes that parents should have the right and the choice to spend as much time as they desire nurturing, guiding, and protecting their children. Mothers-At-Home presents as many of these ideas as possible, in hopes of stimulating discussion that could lead to other, perhaps even better ideas.

1. ENCOURAGE "FAMILY-FRIENDLY" EMPLOYMENT PRACTICES

Legislators might be surprised at the number of women who say that a more flexible workplace would virtually eliminate their need for child care. If these women are right, perhaps the most cost-effective approach to the child care dilemma would be to reduce the need for substitute care by instituting certain helpful business practices. Government should not be afraid to initiate research and discussion on suggestions such as these:

A. Government could create a commission to encourage family-friendly employment practices in the private sector. Writes a California mother of one child who works part-time as an administrative assistant: *"[Government can help by] encouraging, not legislating, that private companies provide attractive child care arrangements to their employees, such as one year maternity leave, job sharing, reduced hours, flexible hours -- basically being cooperative to work it out with the parents of children."* A father of nine children from Bethesda, Maryland, agrees. He feels that mandating family-oriented business policies might encourage discrimination against men and women in their child-bearing years; he suggests, therefore, that the government set up an institution similar to the Equal Employment Opportunity Commission to motivate, rather than force, employers to adopt better policies. For instance, qualified businesses could display a "Friend of the Family Employer" logo, to attract capable employees who value a family-friendly atmosphere at work. Companies might qualify for the FFE designation by instituting a minimum number of family-friendly practices from an approved list of benefits and work options.

Family-friendly employment policies might include:

1. Increased availability of part-time positions. According to U.S. News and World Report (June 20, 1988), in a 1988 survey of the child care needs of Du Pont Corporation employees, 33% of fathers said they were interested in part-time work to accommodate children, compared to 18% who had been interested in part-time work in 1985. Meanwhile, 55% of the women surveyed were interested in part-time work both survey years.

From Vallejo, California, a mother of one preschooler writes: *"My only complaint is that usually twice a year my boss pesters me a lot to work more hours. He doesn't see the value of having a happy, part-time worker compared to an unhappy full-time employee. [We need] availability of flexible part-time work at a reasonable wage (i.e. being well-compensated for expert work even though it is part-time)."*

From Neola, Iowa, a mother of four comments: *"I would sure like to have the opportunity to work a part-time job that would be flexible enough [for me] to be home with the children when they are home."*

From Washington, a former electrical engineer and mother of one says: *"I am concerned that since my field is traditionally a man's, part-time work will be nearly impossible to find."*

From Brookfield, Wisconsin, a mother of two who works part-time as a financial planner/CPA explains: *"I am dissatisfied with the fact that there are not good part-time opportunities at my career level that provide job satisfaction and adequate compensation."*

2. Flexible hours, especially full-time hours based on local school hours. A 7 a.m. - 3 p.m. shift for one parent in a home where the spouse works the traditional "nine to five" can keep children out of day care altogether. (One parent sees children off to school in the morning, the other is there for them in the afternoon.) This is only one example of flex-time options, which are already increasing in popularity in both the private sector and in government.

3. Job-sharing opportunities. We have heard from mothers who share jobs in everything from teaching aerobics to editing for a publishing firm. A mother from Maryland, who once worked as a "telephone emergency (911) dispatcher," told us she and another mother lobbied unsuccessfully for a job sharing situation. The employer threatened to fire them if they refused to work full-time, citing the expense and trouble he would incur in training a new dispatcher. The mothers were bullied into working full-time, but within the year both quit completely -- leaving the employer with not one, but two dispatchers to hire and train.

The logistics of job sharing vary from one office to another. Employers are experimenting with every conceivable method of dividing hours and responsibilities. Some jobs are shared between mothers and retired persons or mothers and students. We have been told of one particularly novel form of job sharing: Mothers who can afford unpaid leave hand their jobs over to college students for the summer, then return to work after their children begin school again in the fall.

4. Better benefits for employees with reduced hours. States a part-time librarian and mother of two from Fredericksburg, Virginia: "*[We need] availability of part-time work with decent benefits! Often part-time jobs have minimal benefits and this is discriminatory.*" From Hudson, Wisconsin, a mother of three suggests: "*Have companies provide one half of benefits for part-time workers instead of nothing for part-time and everything for full-time.*"

5. Allowing children to accompany parents "on the job," when reasonable. Many parents find that they prefer to have their children with them while they work in small businesses, stores, medical practices, nursery schools, farms, and in various other work environments. Even more parents would like to explore this option. A postal carrier and single mother of a seven-year-old son, from the Washington, D.C. area, describes her ideal child care situation as "*taking him with me on the last run of the day. But insurance regulations won't allow it.*" Recognizing that there may be reasonable limits to the presence of children in some workplaces, the potential for including children in their parents' work lives should be further explored.

6. Dependent Sick Leave. An issue of great concern to all parents is the ability to take off work to care for a sick child or to care for preschool children when a stay-at-home spouse is sick. The Chamber of Commerce in St. Paul, Minnesota, has researched this issue extensively. Among the findings were strong indications that employee absenteeism and low productivity is directly related to employee concern about sick children. In one study, both improved dramatically when employers instituted policies such as dependent sick leave or vouchers to pay for child care at special "sick child" day-care centers. A part-time social worker and mother of two from Maryland suggests a "*compensatory time*" arrangement for salaried employees where overtime hours "*can be counted later as regular work hours for things like staying home with sick children.*" (Such flexibility is also critical for employees who need to care for sick or elderly relatives.)

7. Parental leave plans. Many employers are recognizing the benefits of good parental leave policies for both mothers and fathers of new babies. Ideally, parents who want to quit work temporarily to care for their children full-time would be able to choose a longer, "open-ended" parental leave. In such cases, companies would not be expected to guarantee the same job back. Instead, they would retain "open" personnel files on these employees, and would perhaps even offer them minimal continuing education programs, occasional temporary assignments, or other flexible work options. Later, when these same parents apply for reentry, their prior experience would help them qualify for a job approximately equal to the one they left. A mother from Arlington, Virginia, explains, "*The stereotype of the 50's mother at home troubles me. I see myself as on an extended leave from the paid workforce. I fully expect that the education and skills I acquired before I had children as well as those I've gained as a mother at home will be valuable to a future employer.*"

B. Government should serve as a model family-friendly employer. Writes a part-time attorney and mother of two from York, Pennsylvania: "*The higher status occupations still require a 50-60 hour work week, thereby dooming mothers to trade their kids' needs for their career. There are few jobs inbetween and pay is always lousy in 'women's fields.' Flex-time and part-time jobs must be found in the professions for women -- starting with the federal government.*"

C. Government could help employers establish family-friendly employment practices. Increasing numbers of employers, both large and small, are already instituting various family-oriented benefits and policies. Government should support this workforce trend by helping employers learn from each other. Suggests a Wisconsin mother of two: "*Offer incentives or educate industry as to the untapped potential in offering flexibility/part-time work (compensated fairly) to mothers of young children -- to retain them over longer periods, i.e. when they return to work full-time.*" Such incentives could take the form of tax benefits for employers who establish certain prescribed practices, special awards or other recognition for model family-friendly employers, and priority grants to those exploring alternatives to day care. The government might educate employers about the benefits of family-friendly employment policies by distributing literature or by offering special courses and consulting services.

2. MAKE THE FEDERAL TAX CODE CAREER-NEUTRAL

Of all the suggestions received by our organization, tax relief is mentioned most often by far. Some specifics include:

A. Reduce the tax burden on families in general. A mother of three from Butler, Pennsylvania, writes: "*Parents should not be taxed to a degree that they cannot provide for children. The government should stop spending and lower taxes.*" Comments a mother of three from Lynchburg, Virginia: "*Taxation takes more and more money from families, making it harder for them to choose how many children to have.*" Although federal tax rates have declined slightly as a result of recent changes in the tax code, social security payroll taxes have risen, and are scheduled to rise again, with the net result that many families with dependent children still feel burdened by taxes.

B. Increase the amount of the personal exemption. When Congress first instituted an income tax, great care was taken not to overburden families with children. The work of nurturing and educating the next generation was considered vital, and the financial commitments it entailed were respected. Thus, taxes on young families were offset by the then-substantial personal exemption for each dependent. In fact, in 1948, a personal exemption of $600 represented 42% of the average personal, per capita income. Over the years, this reverence for the economic hardships of preserving the nation's future through its children completely disappeared, and the amount of the personal exemption did not keep pace with inflation and other tax demands. Between 1960 and 1984, the tax burden increased 43% for married couples with two children, and 223% for families with four children, while corporate taxes went down and taxes for singles and childless couples remained stable. While the 1986 tax reform is raising the value of the exemption to $2,000, this only partially offsets the erosion suffered since the 1940s. According to some researchers, to have the same value relative to income it held in 1948, today's personal exemption would have to be raised to $6,468.

Writes a mother from Rexburg, Idaho: "*By increasing the dependent exemption this gives every family a financial boost. Then the mother can afford to choose to stay home and raise her* *own children or a family can afford to pay for day care of their choice. No center or type of care should receive government money. Families should receive the tax break."*

A mother of three preschoolers in Jonesboro, Arkansas explains: *"One option to consider would be to increase the dollar value for personal exemption of children by the child care tax credit amount. This money would be understood as [a] child care tax credit. Then the person(s) directly responsible for the child's care would have the responsibility to find and provide adequate care. It may be enough economic incentive for some persons, who have not been economically able, to remove themselves from the workforce to be an at-home parent."*

C. Establish tax advantages for families where a parent stays home to care for his or her own children. A mother of one in Sacramento, California, writes: *"Through the tax system, government should reward families in which either mother or father stays home to raise their children."* Another mother agrees: *"Helping those parents who truly need day care is fine, but helping parents find a way to allow one parent to remain at home with his or her children is even better. Maybe there could be tax benefits to those mothers who stay at home full-time."* An even stronger comment comes from a mother of three in Chatham, New York: *"Instead of funneling tax dollars to day-care centers, provide good benefits for mothers who stay home (like better deductions). As a counselor, I work with too many women who return to work but don't want to."*

D. Institute an additional tax credit or deduction for each preschool child, regardless of the parents' work status. Such a policy would give parents additional income which they could then apply toward the kind of child care they prefer -- whether parental or some kind of substitute care. Asks a mother from Elgin, Texas, *"What about an increased exemption for children from birth to seven years to at least encourage a parent to stay home during the 'formative' years?"* Writes a mother of two preschoolers from Wisconsin: *"Perhaps there could be a tax credit for every child I claim as a dependent. This tax credit could possibly diminish as children proceed through school."*

E. Make the child care tax credit more equitable. Opinions on how to do this vary. Some mothers feel the child care tax credit should apply only to families with below poverty-level incomes. Others believe it is discriminatory toward mothers who choose to care for their children at home (often at great financial sacrifice) and should therefore either be abolished completely or expanded to include one-income families where a parent stays home. A former registered nurse, now home with an infant in Wisconsin, expresses it this way: *"If they allow tax credit for child care outside of the home, I think it only fair for mothers in the home to receive the same because they forfeit earning potential to stay home."*

It has been brought to our attention that the median income (1986 statistics) for "traditional" two-parent, one-income families ($25,803) is nearly 50% less than the median income for two-earner families ($38,346). Are children's needs really well-served when two-earner families making more than $200,000 a year can claim an average child care tax credit of $528, while two-parent, one-income families making $25,000 receive nothing at all?

F. Institute a tax credit for those providing child care, rather than for those paying for it. This interesting idea comes from a mother in Veradale, Washington: *"The current incentive (Child Care Tax Credit) encourages people to send their children to day care. A better goal would be to encourage people to care for children. Society has given no monetary value for people to care for their own children and little (witness the low wages of child care workers) to care for the children of others. I would propose eliminating the Child Care Tax Credit and replacing it with a new Child Care Workers Tax Credit, which would apply to people who care for children full-time, whether paid or not. People who are part-time workers could be eligible for half the credit. I would suggest a decreasing incentive for increasing numbers of children."*

A similar idea was described by an Iowa mother of five who is also a family day care provider: "*Child care income could be non-taxable, since most child care providers make less than the minimum wage.*"

3. STRENGTHEN FAMILY ECONOMIC SECURITY

As a nation, we need to investigate the economic forces that are combining to make it nearly impossible to raise a family on one income. Many women who write to us express fear that they will not be able to meet the financial challenges inherent in rearing a child from birth through a college education. Not only do we hear from mothers in the workforce who want desperately to come home (as quoted earlier); we hear from just as many mothers now at home who express genuine fear that they will be forced back into the labor force before they would choose it.

Writes a New York mother and day care provider: "*I'm afraid that societal pressure and financial pressure may force me to return to work when my youngest is school age.*" A mother of three from Virginia agrees: "*Sometimes I worry that I will be forced to work because government is more interested in my money than what is best for my family.*"

There are three areas, of the many that merit special attention and analysis, in which we have received comments:

A. Affordable housing must become more readily available to young families. Writes one mother: "*Financially we can manage pretty well, yet we may never have a single family home (the American dream). [We] have made compromises in our dreams so that I can be with my children while they are young.*" Many parents indicate that paying a mortgage or even paying rent on an adequate home is their families' biggest financial worry, and the factor that may push many of them into the paid labor force before their families are ready.

B. Insurance packages should be created that recognize the needs of young families who prefer that one parent remain home with the children. For example, a parent at home cannot buy disability insurance, because the job of caring for one's own children has no monetary value. A mother of two from the Washington, D.C. area complains, "*I feel that my family is vulnerable because although I have purchased life insurance, my insurance agent tells me that I cannot get disability insurance since it is based on a percentage of one's earnings. Yet, if I were to become disabled, who would care for my children? We could not afford to pay someone else to do my job. The insurance agent has no answer for me.*"

C. Tax free savings plans (similar to IRAs) could be instituted to help young families save in advance for the expenses of rearing children. Explains the Virginia mother of two who thought of the idea: "*They would be able to draw on it after birth or adoption of a child, either to offset the cost of a lost income for parental care, or to apply towards alternative care, or to apply toward the purchase of a home.*"

4. PROMOTE COMMUNITY SERVICES THAT BETTER SUPPORT THE FAMILY

Parents seeking advice or information within their communities are encountering many government, non-profit, or other services that still focus on "women's" issues that are nearly three decades old. It is time for communities to address the family issues of the eighties and nineties. Services that would be heartily welcomed include the following:

A. Better preparation of the younger generation for the reality of family responsibilities and better training in the skills needed to fulfill those responsibilities successfully. Since most people do eventually become parents, educational curricula should acknowledge that fact and help prepare everyone for the possibility of parenthood. Students could receive a basic foundation in the principles of early childhood development and an understanding of some aspects of the job of parenting. This knowledge would be valuable whether or not an individual student later chooses to become a parent, for it would encourage a desperately needed appreciation of and respect for children and families. Furthermore, a thorough discussion of family financial planning and career development, including the personal impact of family responsibilities, could help young people to better plan their lives. Many mothers tell us that no one ever tried to explain to them the emotional impact of parenthood; therefore, they made financial and career commitments before bearing children without regard to what they and their children might truly need later.

B. Better resources for parents to help improve parenting skills and other skills related to family life. The field of educational psychology, and especially early childhood development, has grown immensely in the past fifteen to twenty years. Valuable research information about the needs of infants and young children has been gained as the result of such projects as The Harvard-Lilly Pre-School Project, The Beethoven Project in Chicago, and the Missouri Parents as Teachers Program. Some of the most effective programs have concentrated on parent education, providing opportunities for parents to learn about children's social, psychological, and cognitive development. Such parent education programs, as well as other family-related information and resources, should be made more widely available through family centers, community centers, classes, workshops, pediatric offices, health clinics, and schools. Public service announcements, such as those that have targeted certain health and safety issues (smoking, heart disease, and seat belt use, etc.), have been seen as a worthwhile investment in educating the general public; similarly, an information campaign which increased society's understanding about the developmental needs of children could prove enormously beneficial to us all.

C. Resources for women seeking advice on how to live on one income, how to make money from home, how to arrange flexible work hours, and other ways to care for their own children. We hear from many mothers asking for advice on how to manage on one income and/or how to run a business from home. While there is an abundance of information available to parents about "how to choose good day care" there is very little information or support offered to parents trying to care for their own children on limited incomes. Community support services should address this need.

D. Businesses, shopping centers, government facilities, and other public places better equipped to handle children who accompany parents on outings or errands. Although public places are gradually becoming more sensitive to parents with young children, many more accommodations could be made which would be a welcome sign of caring to all families. For example: infant changing facilities and toilets for young children that both mothers and fathers could use; lounges for nursing mothers; a small table and chairs with books, a chalkboard, or other simple diversions in the sterile places where parents struggle to wait with children (such as bank lobbies, clinic waiting rooms, government offices).

5. ESTABLISH BETTER OPPORTUNITIES FOR HOME-BASED WORK

Home-based business is on the upswing, and many mothers know why. The Washington Post, in a Business Section article entitled "New Domestic Workers Run Businesses From Home" (May 21, 1984, page 5) stated, "*For many [home workers], the decision to start an in-home business was sparked by a desire to take child-raising out of the hands of day-care workers.*" Mail received by Mothers-At-Home not only supports this assessment, it indicates that many more mothers would work from home if they knew how to begin.

Writes a mother from Bryan, Ohio: *"I work as a bank secretary, and am very grateful to have a job in such a good environment. I work out of economic necessity, however, and have always longed to be at home. Do you perhaps have a pamphlet suggesting ways a family can get along on one income and/or how I could stay at home and still earn money?"*

Writes a mother from Gloucester, New Jersey: *"I do not want to go back to work because I feel there is no one that could give my baby the love I can give him. Even though I want to raise my child at home, my husband and I cannot afford it unless I find work I can do in my own home. I am an electronic assembler and have seven years of experience. I heard some companies let you do work at home, but I do not know where to find the information."*

Writes a woman who has raised her family, but must now care for a disabled husband: *"I would really like to quit work and be home with my husband as he really should not be left alone, but I have no other choice. If you could help me to be at home and still earn money, I would appreciate it very much."*

Government could help parents earn money from home, and thus avoid the need for substitute child care, in several ways:

A. Repeal prohibitions and cut the red tape for home-based employment. Outdated and arbitrary laws at the national, state, and local level currently prohibit various kinds of home-based employment. In addition, zoning laws in many neighborhoods exclude even simple at-home work that would not disrupt residential living. Perhaps a federal commission could be appointed to study the impact of tax procedures, zoning and commercial regulations, local licensing practices, and other laws that affect home businesses. Recommendations could be made to state, county, and local governments regarding outdated regulations or laws that discourage cottage industry.

B. Educate employers as to the many ways in which they can use home workers. Encourage employers to create positions where work can be done mostly at home or to contract with independent home businesses to perform work or provide business services.

C. Encourage banks to help new home businesses -- with loans, advice, and other services. Writes a single mother from Baltimore, Maryland: *"I receive no child support, but I was determined to stay with my daughter. With the help of my father-in-law, I got a lease on a word processor, and for almost three years I have been working from my home and taking care of my daughter. But the business will not survive unless I can expand, and I can't get any credit or find an investor. I don't want to leave home."*

D. Create job banks and other community resources for individuals interested in earning an income at home. Job banks already exist in many communities which could easily expand to include information about home-based employment opportunities. Other local organizations could distribute information about how to maintain job skills or develop new ones while at home, how to start a home business, or how to find a company that employs home workers. These services would not only benefit parents seeking home employment opportunities but many other individuals as well, such as those whose physical handicaps and financial situations limit their mobility and employment choices.

E. Encourage the formation of home business cooperatives or networks. Home businesses could be given opportunities to join together to purchase supplies, hire consultants, use administrative and computer services, participate in group insurance and other benefit plans, share marketing and advertising expenses, and enjoy other advantages that are often too expensive for a single home businessperson.

6. IMPROVE HOMEMAKER SECURITY AND OPPORTUNITY

A major disincentive for mothers to care for their own children for any amount of time is the incredibly low value placed on their work in this society, both socially and financially. Everywhere they turn, it is clear that the time they spend rearing their children is considered of no consequence. Writes a mother from Portland, Oregon: *"Give more encouragement for at-home mothers publicly. I wish the at-home mothers would be the 'heroes' for a change."*

An American mother now living in West Germany with her five-year-old son and one-year-old twin daughters writes: *"We moved [from Washington, D.C.] to a village of 350 people, so the change was huge. So was the thinking on motherhood. Almost all the 'smart' women I know here are home with their kids and are supported for their choice -- not just by society but also by the government. Some have an extended maternity leave of up to six years, at which time they can return to government jobs of equal seniority and pay as those they left. All mothers get paid 600 Deutsche marks per month for one year (soon to be two) after the birth of their child and a monthly child allowance until the kids are twenty-one. At first, I wondered why there were so few day-care centers, nannies, etc. here, but now I see that the mothers and fathers have worked for the right to stay home."*

Ideas include:

A. Increase the amount of tax-deductible money a homemaker can contribute to an IRA. Comments a mother of one from Illinois: *"I am appalled that since I have no personal income I cannot contribute more than $250 to my IRA. Legislation should be drafted and passed immediately by Congress so that I can make a full $2000/IRA contribution each year. Does the government think my retirement will be any cheaper than my husband's? And statistically I may outlive him!!!"* Other forms of homemaker pension plans should also be explored.

B. Offer government-backed, low interest loans and other support for homemakers seeking further education. For example, establish a system of "credits" extended to parents for each year spent at home full-time with the children. These could be "cashed in" later for college tuition or other benefits. Writes a mother from Elkhart, Indiana, *"Give education tax credits for mothers staying at home so we can learn new skills or develop the ones we have."*

C. Encourage businesses to recognize skills that are developed outside of paid employment. The maturity of a person who has had the daily responsibility of caring for children should be viewed as a "plus." Human resource and personnel administrators could show creative initiative by instituting a means of evaluating and crediting men and women for skills developed in managing a home as well as skills developed in volunteer service in the community. Such unpaid experience could then be recognized later by potential employers.

These suggestions represent only a partial list of those we have heard from parents across the country. We cannot be certain which measures will work and which will not; however, we believe that variations of a number of them in concert would significantly improve the chances of the most children possible receiving the care their parents most prefer. We offer these ideas as a springboard for further action, in hopes they will open new doors of possibility.

ENSURING OUR CHILDREN THE BEST POSSIBLE CARE

Mothers across the country are watching the national child care debate with growing alarm. They have seen it evolve from a rational and sensitive discussion of the plight of America's mothers into a frightening political battle between forces that have long since forgotten what is really at stake. They fear that in the end the "solutions" it yields may compromise what is good for them and what is best for their children.

Most mothers today do not believe that loving care can be created by legislative mandate, or bought with generous salaries and top-of-the-line play equipment. When they demand "quality care" for their children, they are not referring to adequate fire exits and adult-to-child ratio. They are referring to genuine love, to personal and immediate attention to individual need. They are referring to that care which teaches a child that he comes first to somebody -- in short, the kind of care that has never been for sale.

These mothers do not make their child care decisions based on scientific studies or the findings of Congressional committees and Presidential commissions. In the final analysis, when a mother makes that hard choice, she consults the dictates of her conscience, the inclinations of her heart, and the commonsense evidence of her own two eyes.

For most mothers today, that evidence suggests that their children need them. So, while legislators consider child care programs which no one knows how to fund or staff or regulate -- programs which even proponents cannot confidently predict will do an "adequate" job -- millions of mothers are pioneering their own real-life solutions to the child care dilemma. These mothers, who have ignored conventional wisdom in order to pursue uniquely personal strategies and options tailored to the needs of their individual families, may well be providing the very leadership that will finally steer us toward a sound public policy on child care.

One thing is certain: the children of this nation deserve to be raised in the best way rather than in the most expedient way. Let us work together to ensure that all parents can freely choose the best possible care for their children.

Appendix A

What You Need To Know About Today's Mothers

1. Most mothers completely defy the media stereotypes. Both women who choose to remain home full-time and women who are in the workforce cross every political, religious, and socio-economic line. We have heard from single mothers on small incomes who manage to stay home, working moms married to high wage-earners who still feel they "must" work, self-described conservatives who have balanced job and motherhood for years, pro-ERA feminists who quit high-powered careers as soon as their first child was born. Many mothers now at home could easily walk into their choice of enviable jobs, while many mothers employed full-time would give anything to stay home. Mothers simply cannot be categorized by their work/home choice.

2. All of these mothers feel tremendous pressure to return to the workplace. No matter how a woman feels about her children or her career, she faces a powerful image of just who qualifies as a "smart woman" today. Our society clearly admires the woman who is in the workplace -- doing something "important" for herself and the community. Thus all women face a variety of subtle pressures (as well as some amazingly overt ones) to combine career and motherhood. Writes an attorney who now works part-time: *"I witnessed exactly how 'valueless' being an at-home mother is. . . . When I quit being a trial lawyer, the colleagues I left considered me crazy and proof that women couldn't really cut it. My status dropped instantly. Receptionists condescend to women in jeans with a baby in arms, men have trouble finding a topic to talk about besides babies, and my presence makes some women uncomfortable because it's a tough issue for all mothers."* A professional psychologist from Madison, Wisconsin, found advising others did not help her face the same pressures: *"It seems most literature today respects and supports the woman who 'does it all.' Even though I have a master's degree in counseling and have worked in the field for six years, I find it impossible to counsel myself and difficult to re-frame my self-concept to exclude work outside the home where so many people put the value."* A mother from Salt Lake City, Utah, describes pressures on her husband as well: *"The pressure to 'toss in the apron' can get heavy when all of your friends and relatives work and think you are nuts for staying home. [My husband] gets pressure at work to have me work -- with statements like, 'How can you let her just sit around and live off you?'"*

In addition to social pressures, there are forceful economic ones as well. The high cost of housing is an important factor, as is society's consumer orientation, which encourages young couples to overextend financially. They become dependent on two incomes well before they think about bearing children; thus, when children come along, both parents "must" work. A mother of three teenagers from Wisconsin who works part-time explains: *"My husband has been supportive most of the time except on occasion when most other wives worked and those families had so much more money and its advantages. Believe me, there is pressure on husbands to have 'productive' wives who help achieve a higher lifestyle!!"* A mother of two preschoolers from New York observes: *"I think our culture has tricked us into believing we must drive new cars, own home computers, wear designer jeans, buy the latest toys (for our children and ourselves) and maintain a certain level of affluence in order to be considered successful. We send a message that being able to buy 'things' is more important than the time we spend with [our children]."*

3. Many of today's mothers drift in and out of the workplace. Because of intense pressure to remain in the workplace, mothers do not easily make the choice to stay home with their newborns -- even when they want to. It is a rare mother today who hasn't gone in and out of the labor force; first going back to her full-time job, then dropping to part time, next quitting completely; perhaps trying a home business, then part-time work again, etc. The fact is, a mother feels a complete lack of support from society no matter what option she chooses. Many mothers spend years of trial and error before they find a job/home balance that is comfortable. Typical is a 35-year-old mother from New York, who writes: *"I'm walking that thin line between working and staying home, having tried all the alternatives and still coming up with the desire and ache to be with my son."*

4. This generation of mothers was reared with serious misconceptions about childrearing. A predominant theme in our letters is resentment that so much of what young women are led to believe about motherhood is simply not true. Today's mothers were raised with the belief that "liberation" meant the freedom to pursue fulfillment in the workplace. Children, they were told, could be turned over to child care givers trained to help children reach their full potential at each developmental stage. These mothers have been shocked to discover that nurturing is a sophisticated one-on-one process, which not only requires a great deal of intelligence and skill, but also a lot of time. There is open concern about the false expectations still taught to young women today. Indeed, unless the situation is corrected, women will continue to make decisions in their pre-childbearing years that make it extremely difficult (financially and/or professionally) to choose to stay home when they do have children.

Appendix B

A Search For Child Care -- One Mother's Story

by Linda Burton

I hadn't intended to stay at home. I wasn't born for it. Having my first child at the age of thirty-three created an upheaval in my life unlike anything I had experienced.

Before the birth of my first child, I had been a professional full-time fundraiser for a public-interest law firm. It was a harrowing job, sometimes, but it was fun and made good use of my energies. At the end of the day, I used to look forward to meeting my husband and friends somewhere in town. We would relax, catch up on the day's events, and generally enjoy each other.

After the birth of my first child, I found myself feeling less convivial at the end of the day than I had in years. Walking the floor with my child, knowing that he was keeping me from doing much that I really wanted to do, made me angry.

When my husband and I first discussed having children, we had no real idea how radically they would constrict our lifestyle. Like many other modern young couples, we had followed the dictates of Lamaze and LeBoyer. We had our baby by natural childbirth, spent hours "bonding" with our newborn, and never let him cry without picking him up. According to the new "parenting" books, we were teaching our son that his needs would be met, first thing in life.

But while my child didn't cry, I did. I missed my job and my friends; I felt poverty-stricken, and I looked awful. So, like many young women faced with the same predicament, I decided to go back to work.

Without too much trouble, I found a job writing for a public television station -- and happily set out to enjoy life once again. I assumed that I would simply give my child good "quality" time in the evenings and on weekends and, in the meantime, I would use all my energies to find an absolutely sterling person to care for him during the day.

I researched child care with a vengeance. Luckily, I did find someone to care for my son who seemed fine. She lasted a month. During that brief return to the office, however, I made some remarkable discoveries.

I discovered that I had no "quality" time for my child in the evening; indeed, I felt like I had no time at all. I was tired. Although I loved my son, and knew that he needed attention from me, somehow I was unable to give much of it after a day at the office.

I also discovered, to my surprise, that I missed my child when I was gone. I worried about how he was being dressed, fed, cared for. I worried that his bright inquisitiveness was being dulled by the housekeeper who, while a kind and decent person, lacked a certain intellectual vitality.

I was almost relieved when my housekeeper quit. I came back home to attend to my son and, again, searched for child care. Diligently, and over what came to be a period of two years, I searched for child care everywhere, from the local town newspaper to the best nanny schools in London.

Yet everywhere I looked, it always seemed like a long waiting list of mothers had been there before me. We commiserated with each other. Trying to find the "right" kind of full-time child care, we discovered, was a lot like trying to handicap a horse race or beat the roulette wheel at Las Vegas. No matter how many setbacks we had, we kept on giving it one more try, holding out for what we knew was the intoxicating probability of an imminent lucky break. Whether the spoils of victory were unimaginable amounts of personal wealth or the babysitter popularized in legend who was kind, intelligent, put our children first, and never got sick, we fervently believed that there, but for a simple key to the right system, went us.

I remember the zeal with which a few mothers at work would guard their child-care sources, passing on names of favored sitters to a select friend or two, with all the covert machinations of a Mata Hari. But no matter how closely kept were the names of the "really good" sitters which some mothers managed to stumble on, there always came that inevitable day when they lost them. Maybe one of them moved, maybe the sitter just got tired and decided to give up sitting for a while. Or maybe the mother simply decided that the "really good" sitter wasn't so "really good" after all. Whatever the reason, we all learned to pick ourselves up and begin searching again.

When I was looking hard for child care, I spent literally hours on the telephone, every day, trying to scout out the best available care. Other more broken-in mothers shared their allegedly fool-proof "Lists of What to Ask Potential Housekeepers" who telephoned me in response to the many advertisements I placed. They suggested nefarious ways to tap into the market of illegal aliens (remarking that it would be nice to have someone who spoke English, but concluding that we couldn't have everything) and passed on whispered directions toward certain population groups who were rumored to "be wonderful with children."

Nannies and Housekeepers

At the beginning, I confined my search for child care to housekeepers and nannies. However, no matter how much I wanted my child to have personal, one-on-one care and attention, provided in his own home, I always seemed to come up against one of the same three obstacles. First of all, nannies and housekeepers were very expensive, and their wages would have eaten up a major chunk of my salary. I soon learned that in conjunction with the other expenses of working outside the home -- clothing, transportation, lunches, and the convenience foods which became almost essential for cooking -- the expense of one-on-one care was something my husband and I could not reasonably handle.

Second, if the tedious progression of interviews which I conducted with the aspiring housekeepers who answered my ads was any indication of the sort of care givers available for hire in the nanny market, even the people able to afford full-time, one-on-one care were rarely getting what they bargained for. The truth of the matter was that an overwhelming percentage of the people who came to my door, ready and willing to care for my children, were clearly unqualified for the job.

Finally, I learned that nanny-housekeepers -- no matter how good or how qualified -- rarely stay around very long. A job, after all, is still a job, and even the most capable of nannies is not in the job for the long-run. For some reason, many of us nanny-seekers must have acquired vastly sentimentalized notions from old English history books or PBS television series that a typical nanny came to change the diapers and stayed on for the weddings. The truth was that few modern-day nannies stuck around long enough to see a baby move into toddlerhood. Even the most congenial and affluent of employers, who gave their nannies multiple gifts, lavish vacations, free cars, high wages, and desirable working conditions, frequently complained about the eternal search for "yet another" nanny.

The Child-Care Merry-Go-Round

This last problem, especially, seemed almost indigenous to every available kind of child care I located. Nannies seemed to come and go, as did family day-care providers, almost constantly; even the staffs of most day-care institutions, I learned, have a notoriously high turnover rate, while the outward, serene appearance of the facility itself remains constant.

Although I would find myself joking about the on-again, off-again nature of the child-care merry-go-round, I soon realized I was becoming uneasy about what this process was doing to my by-this-time two children. I knew there were people murmuring about how good all this upheaval must be for the children; I read about one woman who laughed that her daughter was "being raised by a committee." But she told herself that her daughter was getting to know a lot of people and was learning how to make rapid social adjustments.

Yet there was something else that I could see my own children learning, along with rapid social adjustment, which frightened me, no matter how lightly I dismissed its implications. I could see that it was unsettling and traumatic for them, once they had anchored their love, confidence, and trust in someone, to experience abandonment by them; and I feared that they were learning, in their own self-interest, not to invest too many of their feelings in other people, or to be willing to commit themselves to future long-term emotional relationships.

I wanted my children to learn that the people who cared for them would not leave them. While I knew my husband and I would not leave them, the fact remained that we were away at an office all day. We were not our children's primary care givers, no matter how much we liked to think of ourselves that way, and we could not in truth be relied upon to respond to their needs for the great majority of their waking hours. I was beginning to see that I wanted my children to have a reliable, consistent, loving person upon whom they could depend for guidance, who was available to them during much of their day -- and that the status quo of musical babysitters wasn't going to give it to them.

Family Day Care

When the problems with hiring a nanny-housekeeper appeared insurmountable, I decided to go ahead and give family-centered day care a try. Initially, this home-based care seemed like an attractive option to me because I assumed that my children would be in a cozy, homey atmosphere during the day, placed with a relatively small group of children, who could be nice playmates for them. And family day care had the added happy bonus of being much more affordable than one-on-one care. Yet my high hopes rose -- and predictably fell again -- with each successive experience in home-based care.

Appendix B

It seemed that one of the biggest and most consistent problems I encountered with family day care was rampant overcrowding. Although I noticed that local governments were frequently trying to regulate the numbers of children allowed in any one day-care home at the same time, I could also see that those regulations were increasingly caving in to public pressure for "more child care." And the regulations were very difficult to enforce. Time and again, I left my children in the care of a sitter who assured me she cared for "very few" children, only to return on an impromptu visit to find staggering numbers of "drop-ins" had joined the "very few."

Another problem I found with family day-care homes was that the care givers generally were women who wanted very much to stay home with their own children but who took in extra children to help supplement the family income. I found that it was next to impossible, in a situation like that, to expect the sitter to put the needs of my children first. Naturally, even the kindest and best-intentioned person in the world would respond to her own children more quickly and more sensitively than to the children of a relative stranger. And I would frequently see my children, no matter how subtly, come to perceive themselves in an inferior, less-favored position than "Johnny and Rachel" or "Mary Beth."

Third, on visits to family day-care homes, I was surprised at the number of times I observed a sitter relating to my children differently from the way I would have done -- from how she responded to a request for an apple to where she put them down for a nap to attempts to deal with (or ignore) conflicts and questions. Too frequently, I found myself observing a sitter and uneasily reflecting, "I wouldn't do it that way!" This is not to say, please understand, that I always believed my way was the "right" way; not at all. But I was surprised at the large number of clear opinions I appeared to have about some of the smallest things that were a part of my children's everyday lives.

I came to see that the raising of a child did not represent simple custodial upkeep. Rather, my children were learning lessons, making choices, and being guided by the repetition of small human interchanges. The largest decisions about the direction of their future, I was learning, were made in the course of these apparently inconsequential daily interchanges. Here, they would most indelibly implant information about their perceived place in the world, their relation to other people, and the value they placed in themselves, in their own potential, and their own goodness.

Last, I discovered that family day care by its very "cozy" nature is invisible and anonymous -- and therefore subject to astonishing abuse. When I was at the office, I did not in fact ever really KNOW what went on with my children during the day. Oh, I could draw certain inferences, based on the way my children behaved when I picked them up at day's end, but my inferences were incorrect on enough occasions to warrant my pulling the children out of family day care altogether. While at first I had naively relied on my children for correct information about their experiences during the day, I soon began to understand the significance of the fact that my youngest, like many children left in family day care, couldn't talk at all; and I suspected his older brother might be easily intimidated or bullied into not talking. Given an unhappy day-care situation, I could see how my children might well have assumed -- since they had no reference point -- that their unhappiness was a simple part of their existence.

Also, I am embarrassed to say, that there were far too many days when I just did not want to HEAR about what my children did during the day, how they were treated, and so on. I would leave work harassed, tired, frustrated, and eager to put dinner on the table, and I did not want additional "problems" from my children. It became easy to overlook an unpleasant or unacceptable day-care situation simply because it became one burden too many to handle.

In actual practice, I never found an accurate way to evaluate the merit of a day-care situation. Despite my most painstaking investigations, many environments that appeared loving and constructive on initial (and sometimes repeated) examination turned out later to be something quite different.

In one instance, I found the "absolutely marvelous" family day-care provider, recommended by trusted friends, sleeping on her sofa while eleven children (she had informed me that she only cared for five children) wandered aimlessly around in front of the blaring TV. Another time, on an unannounced visit, I found that the "highly recommended" licensed day-care provider confined seven preschoolers to her tiny dining room. I found them huddled together, leaning over a barricade to watch a TV program showing in the adjacent room.

Such disappointing -- sometimes horrifying -- child care stories clearly differed from mother to mother, but the general theme, I learned, remained the same. It seemed that no matter how many checklists I consulted, visits I made, or references I checked, my conclusion never varied. There was no one to whom I could pay enough money to love my child.

Institutional Day Care

At one point, in spite of a prejudice against it, I even investigated institutional day care for my children. I talked to a number of mothers who regularly used day care, and I read the literature of many of the new day-care chains located near my home. I was offended by much of the public relations language in the day-care brochures which came my way -- language which attempted to soothe my anxieties and dispel my guilt at the notion of leaving my children in institutional care -- but language which also denied the instincts of my heart and my down-home common sense. Many of the brochures even seemed to claim that they could do a better, more "educated" and professional job of raising my children than I could.

So when I checked out the possibilities of institutional care for my own children, I was dismayed at what I found: The people staffing many child-care institutions certainly weren't the superior, kind and loving, multiply-degreed maternal paragons which the day-care brochures had touted. Many of the people I saw on the staffs of our child-care institutions, on the contrary, were under-paid, under-educated, and under-interested.

This is not to say, of course, that I did not find some superb, dedicated day-care directors. During my search for child care, I spoke with some of them at great length. In fact, it was they who urged me not to come to them at all. Surprisingly, two of the six day-care directors with whom I spoke pleaded with me to "Please only use us as a very last resort. Please do everything you can to try and stay home with your children." In fact, I became somewhat irritated as they tried, with great feeling, both to convince me that they were not the best thing for my children and to help me come up with ways to work from home so I could be with my children. At the end of one phone conversation with a day-care director, I was rather taken aback to hear her finally sigh, "If you really must have some other kind of care for your children, I suppose we're the best; but your care would be the best of all."

I disagreed. I still believed that there was a baby-sitter out there with my name on her and all I had to do was beat the right bush -- find the right system -- that would bring her out of hiding. In time, however, my exhaustive and intense search for child care taught me this critical lesson: No matter how many licenses we issue or inspections we require, no matter how rigid the guidelines we establish or how much money we pay, we must one day face the fact that it is impossible to have quality controls over the capacity of one human being to love and care for another.

And all of a sudden, the notion occurred to me that perhaps the elusive, almost mystical "she" was not out there. After all, here we were, millions of women trying to hire someone warm, wonderful, motherly, and loving. All of a sudden, common sense told me that there simply weren't enough warm, wonderful, motherly, and loving people to go around. And even if they *were* out there, it was clear that they didn't want to give priority attention to *my* children. They wanted to take care of their own children.

While I -- and most of my friends -- were saying our minds were "too good" to stay at home and raise our children, none of us ever asked the question, "Then what sort of minds *should* be raising our children -- minds that were *not* very good?"

My carefully worded advertisements for child care literally came back to haunt me. I was looking for someone "loving, tender, reliable, responsible, nurturing, intelligent, and resourceful." I had wanted someone with a driver's license, good English, a sense of fun, and an alert, lively manner. I wanted someone who would encourage my children's creativity, take them on interesting outings, answer all their little questions, and rock them to sleep. I wanted someone who would be a "part of the family."

Slowly, painfully, after really thinking about what I wanted for my children and rewriting advertisement after advertisement, I came to the stunning realization that the person I was looking for was right under my nose. I had been desperately trying to hire me.

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We are extremely interested in your reaction to the ideas expressed in this paper. Please write to us if you have comments or further insights.

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Mothers at Home™

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This child care concept paper was written and produced by Mothers-At-Home volunteers with children present and sharing with us the process of commitment to an effort.

PREPARED STATEMENT OF SENATOR DAVE DURENBERGER

Mr. Chairman, I want to commend you for scheduling this series of hearings and for inviting such a distinguished and diverse group of witnesses to assist the committee in developing legislation that will help address the needs of parents who are trying to both raise a family and cope with the economic and social realities of the 1990's.

This committee has long been at the forefront in developing legislation designed to help parents, especially the working poor, meet the financial costs associated with raising a family.

Over the past decade, we have significantly expanded the refundable earned income credit to make its benefits available to a broader spectrum of the working poor. In 1981, we restructured and retargeted the dependent care tax credit in order to provide greater economic benefits to the working poor. And in 1986 we rejected the administration's ill-conceived proposal to convert the dependent care credit into a deduction. I believe what we accomplished in adopting the 1986 Tax Reform Act did more to alleviate the financial burdens faced by America's working families than any other single piece of legislation adopted in the last decade.

We removed more than 6 million of the working poor from the tax rolls, and we doubled the dependent deduction and indexed it for inflation. But the committee has not focused solely on the tax code in seeking to alleviate the financial burdens facing America's families. Just last year we spent a considerable amount of time reforming our welfare system from one of dependency to one of independence. And one of the most important parts of the welfare reform legislation was its recognition that child care services are an essential element in moving AFDC participants off of the welfare rolls and onto the job rolls.

Mr. Chairman, the economic structure of the American family of 1989 is radically different from the economic structure of the American family of 1959. Today, 57 percent of women with children of preschool age are in the workforce. 61 percent of all children will live in a single-parent household before reaching the age of 18. And between now and the turn of the century, women will make up 65 percent of the new entrants into the workforce. These are not just statistics; these are the hard economic and personal realities that families in Minnesota, Texas, New York and in every State in the Union must face.

While economic and social pressures are bringing more and more women into the workplace, each day families must confront the difficult choice of how to balance their economic needs with the personal demands and financial demands of raising their children. In more than half of these cases, this means that working families must find a suitable form of day care for their children.

It is my feeling that families should play the primary role in raising their children and that government should not get involved in this process unless something prevents children from receiving the care they need. We do not need a national nanny. But we do need policies that increase child care options for parents and ensure an adequate level of quality, affordable child care so that children are not left unsupervised or placed in inadequate facilities.

As President Bush said when he proposed expanding the child care tax credit: "parents work during the day and at night, swing shirts and part time. Some parents want caregivers to be relatives or neighbors or at school or at church. Or they want only after-school care or care for special children. They want caregivers to share their values. I agree with the President that there is no such thing as "one size fits all" child care. We must develop a child care policy that is built around parental choice. To facilitate such parental choice and to ease the economic burdens associated with raising children, I strongly support the idea of expanding the dependent care tax credit *and* making the credit refundable. Not only does the child care credit maximize the choices available to parents in selecting the type of day care they deem most suitable for their children, but it is also targeted in such a way as to provide the greatest financial benefit to those families who most need financial assistance. To be most effective, however, the credit must be made refundable. Otherwise many lower income families who owe no taxes will not be able to claim any of the benefit of the credit. At the same time, I believe any child care initiative adopted by this committee must include an incentive to encourage businesses to provide day care facilities and other child care options for their employees.

As this country confronts an increasing shortage of labor, it will become more and more important that workers have the skills, the technical knowledge and the qualifications to compete in the global marketplace. Quality child care and early childhood development are essential to ensuring that tomorrow's workforce is capable of competing in this marketplace.

A tax incentive for business to provide a day care option has several advantages. In the first place, it allows many businesses to retain a skilled workforce of young parents who might otherwise be forced to leave the workplace because of the unavailability of adequate child care options. Secondly, a day care option will enable many companies to attract the brightest young workers into their workforce. And lastly, a quality day care option may provide children with the foundation skills that may enable them to become more effective students and workers in the next century.

Finally, Mr. Chairman, I believe that when the committee's hearings are completed, and we get down to the business of writing a responsible and balanced child care bill, we will have to decide what portion of our resources we are willing to put into an expanded child care tax credit, and how much we are willing to provide to parents who decide to stay at home to raise their children.

I hope this committee will provide equal benefits to the parents who stay at home as we are willing to provide to working parents. Every family faces a difficult personal and economic choice when their children are born. While it has become commonplace for mothers to continue in the workforce, many parents are willing to make the personal and professional sacrifice of leaving the workforce in order to raise their children. Many women's careers are stopped dead in their tracks because they have opted to stay at home for several years to raise their children. Many families must sacrifice the purchase of a new car or washing machine or other necessity because one of the parents has decided to take on the full-time responsibility of raising the children. We cannot in good conscience ignore the vital role that the full-time parent plays. That the stay-at-home parent does not receive financial compensation for the services she performs should not diminish the importance of that job. The tax code should recognize the vital role that both of these types of parents play and we should not reward one as against the other.

Prepared Statement of Marian Wright Edelman

Mr. Chairman and members of the Committee: the Children's Defense Fund (CDF) is a privately funded public charity dedicated to providing a strong and effective voice for children, especially poor and minority children and their families. We appreciate the opportunity to present testimony today on the issue of child care.

The timing of this hearing could not be better according to the latest Harris poll on child care that was released by the Phillip Morris Company just last week. I hope every member of the Committee will make an effort to review the results. According to the poll, no more than 8 percent of all parents were able to say that this country's child care system is working very well. Most Americans believe children in the United States are neglected and the vast majority feels that the time has come to formulate a national child care policy. Eighty-five percent are convinced that the Federal Government should establish minimum standards to ensure child care of an "acceptable quality."

The lives, talents and productivity of all America's children will be increasingly important in the years ahead as the nation attempts to sustain its world leadership and to compete with a shrinking proportion of young workers. Yet millions of children often the children of working parents—are homeless, without health care, and without the early childhood development we know they need to become healthy, educated and productive adults.

As the consequences of child poverty and neglect are becoming more clear, a strong national consensus finally has emerged in support of investing in the health, care and development of America's children, especially our youngest and poorest children. The latest Harris poll once again documents this consensus. We cannot afford to wait any longer; neither can we afford political "quick" fixes. National policies and programs must be enacted that are effective in addressing the complex problems facing today's children and families. Unless we do it right, neither our children, nor our nation, will benefit.

This Committee, under your leadership Mr. Chairman, has been especially diligent in analyzing the many problems facing children and families, understanding their complexities, and formulating appropriate policy responses. Over the past few years, this Committee has tackled the increasing Federal tax burden imposed on low income working families, the numerous and complex problems faced by welfare families, our nation's shameful infant mortality crisis, and the increasing lack of health insurance of low income children and families.

We are pleased that this Committee is now exploring ways of remedying the child care problems facing millions of American families. We know that children will benefit from your thorough review and consideration of the many pending proposals.

CHILD CARE—THE PROBLEMS

The American child care dilemma is as complex as it is immense. CDF has developed a short piece entitled, "Child Care: Key Facts," that we would like to submit for the record. We hope that this review will provide the Committee with a better understanding and perspective on the nature and extent of families' child care problems.

An examination of the frustrations of millions of parents who must work outside the home but who cannot find or afford decent care for their children shows that today's child care crisis has three facets: cost, quality and availability.

Cost: The cost of child care is a struggle for most working parents, but it is simply beyond the reach of most low income working parents. Even though child care salaries are notoriously low (child care workers are paid less per hour than bartenders and parking lot attendants), it now costs about $3,000 a year to purchase full time care for one child. Care for infants and toddlers costs much more.

Most low income working parents cannot afford decent child care at all unless they stop eating, buying shoes or paying the rent. For example, the annual average cost of care for one child would eat up 45 percent of the annual income of one parent working full time at a minimum wage job. As a result, far too many poor working families have no decent child care options and must leave their children home alone during the day or in unsafe, inadequate care arrangements.

Quality: The quality of child care is an extremely troubling problem for most working parents and their children. The quality of care varies greatly from state to state and from program to program. Not many parents are provided assurances that their child care will be of good quality or that their children wild be even safe and protected while they are at work. Few are even guaranteed the right to drop-in unannounced to check up on their children.

The quality of care is a more serious issue for poor children and families. Far too many poor children are denied good quality child care, either because their parents cannot afford it or because it is not available at any price. Yet good quality child care has been shown repeatedly to help poor and disadvantaged children overcome some of the more harmful effects of poverty. Comprehensive early childhood development programs lay the foundation for the basic skills that children particularly poor children—must have for success in school. Continued neglect of their care and development imperils not only the future of millions of young children, but our own as well.

Availability: The supply of decent child care falls far short of the need in most communities, and shortages of infant care and before- and after-school care exist nationwide. If more and more women and mothers join the work force in the years ahead as expected, the problem will only continue to grow.

Our child care problems are mounting daily, and the lack of decent and affordable care is exacting a heavy toll on children, on parents, and on our work force. This Committee is well aware from its welfare reform efforts that the lack of child care often imposes insurmountable barriers to the self-sufficiency of low income families. Employers report that lack of decent and reliable child care is negatively affecting the productivity of their workers. However, the lack of good child care takes its heaviest toll on our children, too often with tragic consequences. A few parents recently testified before another Senate committee and urged Congress to pass child care legislation that assures parents access to good quality child care.

- Jane Snead spoke about her only daughter, 10-month old Ashley who died in an unlicensed family day care provider's home from a massive dose of imipramine poisoning.
- Linda Hartshorn talked about Daniel, adopted after years of waiting. Danny died at twenty-one months from a large skull fracture. His babysitter has been indicted on three counts of child abuse as well as manslaughter.

AN APPROPRIATE POLICY RESPONSE TO CHILD CARE

These parents are heartened by the strong bipartisan consensus in support of Federal action to address the child care problems faced by millions of parents. The sheer number of proposals reflects the breadth of congressional concern and offers a variety of creative approaches. It is essential that these proposals be reviewed with the interests of children and families uppermost in mind, and that whatever the name, number or sponsor of final child care legislation, it draws from the best of these proposals to:

(1) provide sufficient assistance so that low income families can afford safe and decent care for their children while they are working outside the home;

(2) improve the quality of child care so that all parents may be assured that their children's health, safety and development will be protected while they work outside the home.

We believe that the Act for Better Child Care (S. 5, reported from the Committee on Labor and Human Resources on March 15) is the proposal that most effectively accomplishes these objectives. Other proposals complement ABC, including provisions and approaches taken by the President's Working Family Child Care Assistance Act (S. 601) sponsored by Minority Leader Dole; the Expanded Child Care Opportunities Act (S. 412) sponsored by Senators Packwood and Moynihan; the Partnership in Child Care Act (S. 187) sponsored by Senator Heinz; the Children's Economic Equity Tax Act (S. 28) sponsored by Senator Riegle; the Child Care Assistance Act (S. 761) sponsored by Senator Domenici and many others.*

Many of you are familiar with the Act for Better Child Care, several as co-sponsors. The bill is the product of year-long discussions and deliberations among congressional staff, parents, and child care policymakers, providers and experts. ABC is long and complex, because it takes a comprehensive approach to similarly complex child care problems. However, ABC does not propose a radical new approach to child care policy and instead builds upon current state and local policies and practices. In so doing, it ensures the protection, safety and development of our children, and it provides low income parents with real and decent choices for the care of their children.

ABC will help the lowest income families pay the full cost of child care at current market rates, and it will pay a portion of the cost for other low and moderate income families. The states will determine eligibility standards, subsidy rates, and fee schedules. ABC's assistance will provide thousands of our poorest working families with the resources to pay for the care of their children so that they may select among the full range of decent options now available to more affluent families. These include relative care, family day care homes, group homes, and child care centers operated by community organizations, schools, religious congregations, employers, and other nonprofit and for-profit providers.

Equally important, ABC is designed to improve the quality of care and to assure parents that publicly funded care will be basically safe and of good quality. ABC would require that after four years states and publicly funded programs meet minimal standards for health, safety, and quality. It would also provide other important, but basic, assurances: that parents have unlimited access to their child's program; that children be immunized; and that child care providers be prepared either through experience or training to care for children. This Committee has taken a similar approach to standards in case of nursing home care for Medicaid beneficiaries. It is also the same approach the Army takes to meet the child care needs of military families.

Third, ABC addresses the problem of availability by setting aside funds to help states, communities, employers and providers expand and improve the supply of child care.

ABC is a sound and necessary response to the child care problems experienced by America's working families, and it is a response strongly supported by the Children's Defense Fund, by hundreds of other organizations at the national, state, and local levels, by elected and appointed officials, and by experts and parents.

Passage of ABC alone, however, is not the only possible approach. Numerous tax credit proposals have also been introduced in response to the growing concerns about child care. Tax credits can be an extremely effective mechanism to supplement the income of low income working families. Thanks to the leadership of this Committee, the Tax Reform Act of 1986 significantly supplemented the income of these families through an important expansion of the Earned Income Tax Credit (EITC). CDF has long advocated proposals to improve the EITC and adjust it for family size. We believe that tax credits offer an important complement to the ABC bill, and we support their enactment this year.

We do not believe, however, that tax credits standing alone will adequately help low income working parents afford care for their children. Neither will tax credits provide sufficient assurances that children will have care that is safe and of good quality. When the Tax Reform Act was passed, it was not called a child care bill. Furthermore, tax credits are unlikely to expand significantly the supply of care. The current Dependent Care Tax Credit has been in place for many years, yet waiting lists lengthen and our child care crisis grows. Overall, tax credits do not realistically expand the child care choices available to low income families.

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* S. 55 by Wilson (R-CA): Kids in Day Care Services; S. 364 by Gore (D-TN): Employment Incentives Act; S. 392 by Coats (R-IN): Parental Choices in Child Care Act; S. 409 by Boschwitz (R-MN): Child Care Assistance and Resources Expansion Act; S. 692 by Hatch (R-UT): Child Care Services Improvement Act.

The President's Working Family Child Care Assistance Act of 1989 (S. 601) does target much-needed additional income to some of our most vulnerable families: those with children under age four and with annual earnings under $13,000. Yet the President's plan would not assure even those parents affordable, safe, and decent child care—or any care—if they must work outside the home.

The President's new tax credit, for example, would provide a family earning $10,000 a year with an additional $12 per week ($600 per year) for each child under age four. Currently, family day care, the least expensive child care arrangement for infants and toddlers, costs about $75 a week in major cities. The $1,000 tax credit would be limited to families with incomes around $8,000. In contrast, a similar family under the Family Support Act is likely to receive a subsidy that covers the full cost of care which in many states would exceed $4,000 for infant care.

Even with the President's tax credit, the poorest parents still could not afford child care and would be forced to continue to leave their children in substandard arrangements like the one recently reported outside of Chicago where 47 youngsters—half of them under age two—were being cared for by one adult in a basement.

I don't think there is any doubt that the reason these parents placed their children in this basement is because it cost $25 a week or one-third of the cost of most child care in the community. Without sufficient assistance these parents have no decent choices. ABC would provide such assistance. Tax credits alone would not.

Tax credits simply do not adequately respond to the urgent child care needs of low income families. A tax credit neither provides sufficient assistance, nor even attempts to improve the quality of care. We must move far beyond the President's plan if we expect America's children—especially our poorest children—to mature into healthy and productive adults.

The Expanded Child Care Options Act of 1989 (S. 412) sponsored by Senators Packwood and Moynihan, and the Partnership in Child Care Act of 1989 (S. 187) sponsored by Senator Heinz also targets additional assistance to low income working families by improving the Dependent Care Tax Credit and making it refundable. While this is a useful and necessary step, we are also concerned that it, too, will not overcome the basic inability of low income parents to afford decent care for their children while they are at work.

A family earning $10,000 a year could theoretically receive as much as $960 to offset the expenses it incurs for the care of one child under S. 412. It is very unlikely that such a family would actually receive that amount, however, because in order to be eligible, it would have to first spend $2,400, or one-fourth of its income, for child care. If the family managed to spend $1,000 for the care of its child, it would receive a credit of $400 a year, or $8 a week.

The basic reimbursement approach to tax credits also detracts from their ability to help low income working families pay the costs of care. While many of the tax credit proposals allow an advance payment of the credit, this is a cumbersome and difficult administrative procedure of limited effectiveness. While prepayment is possible with the EITC, for example, in 1986 less than 1 percent of families utilizing the credit received an advance payment.

While most tax credit approaches do not even address the problem of the quality of care, minimal assurances are included in the Dependent Care Tax Credit. Under the credit, assistance for care in centers serving six or more is allowed only when such centers comply with all applicable state and local laws. While S. 187 extends this to all out-of-home care, it is unclear what efforts, if any, the Internal Revenue Service undertakes to enforce the current provisions.

Both S. 412 and S. 187 also propose to begin to restore funds previously cut from the Title XX Social Services Block Grant, earmark them for child care and require providers to meet applicable state and local laws. S. 187 takes additional steps to improve and enforce state licensing and inspection of child care programs. These are important steps, but we believe much more is required to ensure the protection and development of America's children.

Children and their needs do not vary from region to region or state to state. But due to our current patchwork system of state licensing and regulation, the quality of child care does vary widely. All children deserve the best from their child care setting, and that is why CDF has so strongly supported ABC's call for minimum

Federal standards along with the resources necessary as a way to protect children, regardless of where they live.

In closing, CDF believes that the bottom-line of any child care policy must be that parents are able to afford good quality care for their children. The children of Texas need the same things from child care as the children in Oregon or Michigan: they need caregivers who do not spread their time among too many children so that they can give a child individual attention or handle an emergency; they need the calm and soothing environment that small group sizes can provide; they need caregivers who have had some basic training in child development, first aid and caring for larger groups of children; they need an environment where common-sense health and safety procedures are followed; and given the decreasing immunization rates of young children, they need immunization checks to prevent the spread of illness. And all parents, regardless of the state in which they live, want to be able to drop-in on their children to check on their well-being.

I am confident that this Committee and the entire Congress will act with the needs of children in mind. Surely the bottom-line for all of us must be a child care policy that is good for children.

PREPARED STATEMENT OF CHARLES E. HAYWARD

Good Morning, Mr. Chairman and Members of the Committee. Thank you for this opportunity to present testimony regarding child care legislation currently being considered by this Committee.

My name is Charles Hayward. I am the Secretary of the Delaware Department of Services for Children, Youth, and Their Families. I appear today in my capacity as Chairman of the Day Care Task Force of the National Council of State Human Service Administrators. The American Public Welfare Association (APWA) is a 60 year-old non-profit, bipartisan organization representing state human service departments, 800 local public welfare agencies, and 6,000 individual members.

Let me begin today, by stating that the National Council of State Human Service Administrators, representing all 50 states and the territories, has identified enactment of Federal child care legislation as one of six major organizational priorities for 1989. As Human Service Administrators we see every day that the lack of affordable child care continues to be a significant barrier faced by lower-income parents seeking and maintaining employment.

The dozens of congressional hearings on child care over the last two years, are evidence that child care has become a national issue. The number of American families lacking affordable, quality, child care continues to grow dramatically. The changing demographics of the workplace has created an increasing need for child care all across the country.

I'd like to take just a minute to let you know what is happening in the states. The situation varies only by degree from state to state so I will use Tennessee as an example of what you will find all across the country:

- In 1986, Tennessee had 961,000 women employed in the state; 490,000 or 51% had children under six years of age. Another 185,000 had children between five and nine years of age.
- Yet Tennessee has just 2,216 licensed child care facilities to serve over 10,800 children. In practical terms, that means that for every *one* space available in preschool day care programs, there are about *five* children who need care.
- The situation for infants and toddlers is even more pressing. In 1985, Tennessee Children's Services estimated that 95,000 infants and toddlers needed child care, yet only *15%* were reported to be in licensed care.
- There are even fewer child care options for school-aged children. Only 5% of the children between the ages of five and eleven are served in licensed day care facilities, yet 60% of Tennessee's mothers with school-age children work outside the home.

Nationwide there are almost 13 million couples with both parents in the work force who must find child care for their children, 8.8 million of which are under the age of six, and 12.3 million. of which are between the ages of six and 13.

At the same time, more and more families are headed by single parents who need child care to work at all. Almost 4 million single mothers must find child care for 1.8 million children under six and 3.4 million children between six and 13.

Child care is also essential for the 3.7 million mothers receiving welfare. These women must find child care for 3.1 million children under the age of six, and for 2.9 million children between the ages of six and 13 if they are to work. Child care is a necessity if these parents have any chance of becoming self sufficient.

In fact, child care is the very foundation for self-sufficiency: it is a prerequisite for a single parent whose wishes to work; and it is critical in providing an enriched environment for children before they begin school and as a supplement to the regular school day. This enrichment is especially important for children whose families are economically disadvantaged, who live in single-parent households, or who are isolated from the broader community for socio-economic reasons.

In 1987, APWA called for welfare reform through an investment in poor families and their children. We outlined our plan in a document entitled, "One Child in Four," which referred to the percentage of America's children born into poverty. A cornerstone of our policy called for increased access and availability of affordable, quality child care to meet the developmental needs of children and assist families working toward self-sufficiency.

APWA is proud to have played a role in the passage of the Family Support Act and we commend Congress for its hard work and tenacity in enacting legislation that seeks to reduce poverty among children and their families by promoting self-sufficiency. The legislation is significant for many reasons. Guaranteeing child care for AFDC recipients while they participate in the Jobs Opportunity and Basic Skills Training Program (JOBS) and for an additional 12 months while they are transitioning to the world of work, is truly historic. For the first time, Congress and the Administration recognized the critical link between work and child care. For single parents this link has become a necessity for economic survival.

Yet, as states begin to implement the Family Support Act, they are very concerned about being able to meet what will be a tremendous demand for child care. Although the legislation requires that states guarantee child care to all AFDC eligible recipients, it does not provide funding to increase supply or improve the quality of existing care. Yet, under the statute if states cannot provide child care, AFDC recipients do not have to participate in the JOBS program. This would mean, that as Human Service Administrators, we would not be able to fulfill our own mandate or the aim of the Family Support Act to help families break the cycle of poverty by offering chances to achieve economic self-sufficiency through job training and educational opportunities.

This is why, Mr. Chairman, I am here today, to encourage you to enact a comprehensive child care bill that would increase the supply, improve the quality, and provide affordable child care in communities all across the country. A tax credit approach alone will simply not address the fundamental crisis that states face today. We also need to build a sound infrastructure that balances a variety of child care needs and gives parents real choices in selecting the type of care that best meets their individual situation.

In short, APWA believes that revenues from the Federal tax system should play an important part in a comprehensive approach to the child care needs of this country.

The Expanded Child Care Opportunities Act (ECCO), S. 412, recommends a number of commendable revisions to the existing Dependent Care Tax Credit. First, by making the tax credit refundable, additional working poor families would now qualify for a credit; many were previously unable to claim any credit because their tax liability was too low. Second, the new funding provision that would allow families to receive the credit on a monthly basis through their pay checks would put money directly into the hands of families to purchase child care. Third, families would receive more money through an increase in the credit to help offset the high cost of child care.

Among our concerns are the levels of tax credit, e.g., the maximum credit a family could claim would be $960 for one child, and $1,920 for two or more children. Yet, the *average* tax credit would be far lower and the benefit for low income families appears small compared to the current national average cost of child care of approximately $3,000 per year per child.

The Texas Department of Human Services has analyzed just how low-income working families would fare under the different child care tax credit proposals. Their study showed that under the Packwood/Moynihan bill:

- with the new tax credit (including making use of the current Earned Income Tax Credit) a head of household working full-time at the minimum wage with three children ages 1, 3, and 5, would still have to pay 86% of their total income for child care.
- Texas found that the new tax credit (combined with the current EITC) would leave a head of household working full-time at the minimum wage, with two children ages 3 and 5, owing 43% of their income for child care.

The tax credit approach also assumes that these families will make use of a complicated tax system. Information about tax benefits is often lacking among low-income families, so appropriate incentives, including carefully targeted publicity to use the system would have to be developed.

Tax credits should include a vehicle informing parents about child care alternatives, helping states to monitor quality, and assisting providers in obtaining training.

APWA does recognize that S. 412 seeks to address the concern that states have about child care supply by increasing funding for the Social Services Block Grant (SSBG) Title XX. While we enthusiastically support a long overdue increase for Title XX, we question earmarking of this money to be spent solely for child care. Title XX funding serves a broad range of programs that we as Human Service Administrators have the responsibility of administering. An earmark would essentially cap all other services states provide with these Federal dollars.

We would urge the Committee to consider a child care tax credit as part of a more comprehensive approach to the problem. We would also urge the Committee to study the implications of placing a cap on programs that provide our most vulnerable citizens with services such as child protective services, adult protective services, and residential programs for the disabled. We appreciate the careful consideration the Committee is giving to S. 412 and to other tax credit approaches and believe that the Committee seeks to approve legislation which will target benefits to those with the greatest need. An expansion of the Earned Income Tax Credit, with an adjustment of the credit by family size, represents an equitable tax approach and warrants the Committee's study.

Today there are more than five and a half million Americans who work hard and yet remain poor. The EITC is one of the federal government's important low income benefit programs. More than 11 million families are now eligible. The EITC rewards work and by doing so, furthers the goals of welfare reform. It helps to make work more remunerative than welfare, and it helps to lift families from poverty.

We would like to see any new tax credit narrowly target its benefits to low-income working families. This Committee provided a tremendous boost to 6 million poor Americans by removing them from the tax roles through tax reform. We now have an opportunity to continue that job and make sure we don't tax our citizens into poverty and dependency. At the same time, let's establish a child care system that ensures that all American families can find safe, affordable, quality child care for their children while they work.

Thank you. I would be happy to answer your questions.

PREPARED STATEMENT OF SENATOR JOHN HEINZ

Mr. Chairman, I am pleased that the committee has renewed hearings on child day care. Last fall we left off the debate on how best to help American families with their growing struggle to pay the day care bill without a solution. Congress has acknowledged that child care, like rent, food and clothing has become an unavoidable cost of living for the vast majority of working families.

First, the reality of the 1980s is the working mother; 6 in 10 women with young children work outside their homes today, compared to 1 in 10 in 1950. One in four of today's working mothers is the sole support for their children.

Second, child care is expensive. With average annual costs topping $3,000, it is easy to understand how options become limited and sacrifices made.

Over tile past year, these statistics have taken on names and faces as I visited child day care centers from Erie to Philadelphia, across the Commonwealth of Pennsylvania.

These experiences brought home the fact that, while the Federal Government provides help for day care through many programs, our priorities are not clear and our commitment needs to be renewed.

For this reason, I have cosponsored bipartisan legislation which builds on existing programs and further clarifies the Federal Government's proper role as facilitator of affordable, quality day care for America's working parents, the Expanded Child Care Opportunities Act of 1989 (ECCO). This bill has the endorsement of many committee members including Senators Packwood and Moynihan.

This bill is consistent with the established principle of job-related tax breaks for working parents. It corrects a major inequity in current law by making the child and dependent care tax credit refundable for low-income families. Disagreements are many when it comes to child care policy, Mr. Chairman, but this option has been endorsed by many during this debate, including the President Bush.

Going one step further, the bi-partisan proposal would increase the credit to 40-percent for the working poor five million families would be helped by these changes.

We must also recognize the critical role Title XX has played as the single largest subsidy of child day care for low-income parents. In my home State of Pennsylvania, Federal Title XX subsidies have stagnated as inflation chips away at this program. Six thousand Pennsylvania families with incomes below $20,000 per year wait for a subsidized day care slot. What makes this doubly frustrating is that many States offer little or no child care help through Title XX. The full shortfall in our commitment to the majority of working parents remains unknown.

To begin to address this gap, the ECCO bill targets $400 million in new Title XX funds toward day care programs. Efforts to increase supply and improve quality would be top priorities. Employers need also be included in a national effort to ensure affordable, quality day care. The proposed child care grant would encourage employer efforts.

Mr. Chairman, child care will affect the lives of an increasing number of America's children. Very often, both parents work to make ends meet and women provide crucial income support for their families. Again, the question is no longer "should we help parents with the costs of child care"—but how can we help the most, most effectively?

I look forward to the testimony of today's witnesses and working with my colleagues on this important issue there is a wealth of good ideas before the committee and I believe a consensus is forthcoming.

Thank you, Mr. Chairman.

PREPARED STATEMENT OF SANDRA L. HOFFERTH, PHD

CHILD CARE DEMAND AND SUPPLY—ABSTRACT

The problem with child care in the United States is not the availability of spaces for children. Only about half the children of employed mothers are cared for by someone other than a relative. There are undoubtedly shortages in selected geographic areas and in places for infants. There may also he a shortage of licensed slots, since at the present time some 2.7 million children are in unlicensed out-of-home non-family care. However, the problem is primarily that of the cost of quality care. Cost is a problem for low income working parents, who may spend as much as 20–25 percent of their income if they have to pay for child care. Subsidies which reduce the price of care (such as tax credits) may increase work effort, may increase the use of paid forms of care, and may increase the amount paid. Subsidies which increase family income may also affect choice of care and expenditures on that care, but the impact will not be as strong because only a portion of the additional income will be spent on child care.

WHAT IS THE ISSUE?

One of the questions that I am asked all the time is whether there is a discrepancy between demand for and supply of child care. The answer, in brief, is no, probably not. Few preschool children are caring for themselves—under I percent. But that does not mean there are no legitimate and important concerns that policy/legislation might address, such as regulation, the price of care, and whether parents are getting what they want and children what they need. First I will address the issue of availability of slots, then I will move to focus on affordability, and finally I will address the behavioral impact of changing the price of care.

I. The availability of slots for children

Demand

Demand depends on the number of children and the number with mothers in the labor force. The number of children has been increasing since 1980. By 1995 there are projected to be 22.5 million children under age 6. If trends continue as they have been since 1970, there will be just under 15 million preschool children (14.6) with mothers in the labor force in 1995, about 2 out of 3 (Hofferth and Phillips, 1987). In addition, 23.5 million school-age children 6–13 are projected to have a mother in the labor force, about 3 out of 4 such children (Hofferth and Phillips, 1987).

Will this happen? The labor force participation of mothers can't keep increasing indefinitely. We have seen a slowdown in the past several years. The biggest slowdown occurred among divorced, never married, and separated mothers. These mothers will be affected by welfare reform. If the Family Support Act of 1988 is successful, the labor force participation of these mothers should rise.

When they hear these figures many people immediately jump to the conclusion that in 1 995 all 14.6 million preschool children will need out of home non-relative care, and when they compare this with the number of slots, they conclude that a big discrepancy exists. However, not all these children need out-of-home non-relative care. As Figure 1 shows, in 1985, 48 percent were cared for by a relative, 6 percent by a sitter, 22 percent in a family day care home, and 23 percent in a day care center or nursery school.

Of course there have been substantial changes since 1965, including decline in care by a relative or sitter, and an increase in care in a day care center. In addition, the proportion of 3-4 year-olds enrolled in school doubled between 1970 and 1985, from 21 to 39 per-cent. In 1985, 87 percent of 5 year olds, 49 percent of 4 year olds and 29 percent of 3 year olds were enrolled in preprimary school. The trend is toward more use of non-relative care and preschool programs and less use of relatives and sitters.

In summary, in 1987 there were 11.3 million preschool children with mothers in the labor force, and of these, 5.3 million were in out-of-home non-relative arrangements.

Supply

On the supply side, there has been a substantial increase in the number of day care centers and day care homes over the same period. The number of centers doubled between 1975 and 1986, to 40,000 centers with a capacity of 2.1 million children (Hofferth and Phillips, 1987). The number of licensed day care homes increased by a third, to 105.000 licensed family day care homes with a capacity of half a million children.

Subtracting the 2.6 million licensed slots from the 5.3 million children in out-of-home, nonrelative arrangements, we can conclude that some 2.7 million children are in non-licensed slots and might be affected by any attempt to increase licensed compared with unlicensed slots. (Assuming that all centers are required to be licensed.)

Demand Vs. Supply

So what is meant by an unmet need for child care, or by lack of availability? It might mean:

1. A deficiency of licensed slots,
2. A mismatch between age of child and ages for which slots are available. such as for infants.
3. A geographic mismatch between supply and demand.
4. Care that is not affordable, or that
5. Parents not getting what they want or children what they need.

Mathematica Policy Research and the Urban Institute are currently conducting a study to obtain national estimates of the supply of day care center and day care home care, both licensed and unlicensed, across different types of communities and for children of different ages. These data will be collected this fall. Unfortunately, there are no other national data available on these questions, so I will focus next on affordability.

II. Affordability: Parental Expenditures on Care

A study I conducted using the National longitudinal Survey of Youth found that in 1985 young families were paying $1.00 to $1.50 per hour for care, which amounts to about $40 to $60 per week for full-time care. Not only were families paying this low amount, but, very surprisingly, real expenditures on child care in a day care center or a family day care home had risen very little since 1975, while real expenditures on care by a babysitter had risen a lot. These figures are very similar to those found in analyses of other nationally representative data sets, including the Survey of Income and Program Participation (U.S. Bureau of the Census, 1987) and the Consumer Expenditure Survey, and in a 1988 survey of S. Chicago, Camden and Newark (Kisker et al., 1989). A recent (1988) national survey found the average weekly expenditure on child care to be $56 per week, $1.50 per hour (USA Today, 1988).

Although total expenditures are important, it may be more relevant to compare expenditures to total family income. What is the share of the family budget that child care represents? Over all families, child care expenditures amount to 10 percent of the family budget. While it takes under 5 percent of the budget for high income families, it takes as much as 20-26 percent for poor families. Ten percent is comparable to expenditures on food, 20-25 percent to expenditures on housing, low income families who pay for care are paying a considerable portion of their income for it.

III. Preferences

But perhaps parents are not getting what they want (or children what they need). Parents report themselves satisfied, by and large. In a 1988 survey (USA Today, 1988) only 4 percent reported themselves to be not very satisfied or not satisfied at all with their current child care. On the other hand, almost 1 in 5 would like to change arrangements. Of these, the majority wish to switch to a day care center or nursery school program. When we examine the reasons for wanting to change, the most important are quality-related. Parents are very aware of and concerned about the quality of their child care, and this is highest on the list. Convenience concerns are next, and cost is third or lower on the list.

IV. Potential Indirect Effects of Changing the Price of Care

What would be the impact of reducing the price of child care by increasing the amount of subsidy and by making it refundable? Table 1 shows average estimated expenditures on care by income level. First, families who already take the tax credit would benefit from a higher level of credit. Second, families with no current tax liability but who pay for care and who now file will benefit. The important question is whether families who do not now pay for care will start paying for care or whether those who now pay some will spend more. What do we know about this important issue?

Many low income families have no employed members and those who do often use non-paid care. Table 2 shows employment and child care use by income level. Many families would have to change their mode of care to benefit (since most day care home and center care is paid, but only about half of relative care is paid). Research also shows that use of the Federal Child and Dependent Care Credit increases with dollar expenditures on care.

We know that reducing the price of care will change behavior. We are currently working to determine the extent to which families (particularly low income families) might change the mode of care they use as a result of changes in price. Two studies have addressed this issue. Both show a substantial increase in use of purchased care as a result of a reduction in price of about $10 per week, or $500 per year (Yaeger, 1978: Blau and Robins, 1988).

I should caution that even if child care costs were fully subsidized, not all working parents would use purchased care. Recent work suggests that 60 to 80 percent of working mothers would use purchased day care center or home care if the cost were fully subsidized (Yaeger, 1978: Blau and Robins, 1988). This is because the cost of care is not the only factor families use in making their decision. They also use their own preferences, and the availability and quality of care, to cite the most important.

Reducing the price of care may also increase the proportion of mothers who work outside the home. Two recent studies have found price of care effects on employment (Connelly, 1989: Blau and Robins, 1988). As expected, the higher the price, the lower the proportion employed.

Of course, if families don't know about the tax credit or the reverse withholding provision, it won't do any good. The behavioral impact will depend on how well-publicized it is, and whether families are encouraged or helped to use it.

V. The Impact of an Increase in Income

Increased income will also result in a small increase in expenditures on care, but it is not very large, on the order of 10 percent or less (Hofferth, 1988; Connelly, 1989). Research has found that the type of child care arrangement chosen is not responsive to level of income, other things equal (Yaeger, 1978).

V. Conclusions

In general, the problem with child care is not one of availability of slots. Children are being cared for. There are a number of factors that suggest that availability per se is not a problem. First, few children are caring for themselves; second, supply has increased enormously; third, parental expenditures have not increased much. These three suggest very elastic market response to increase in demand. Parental preferences show overall satisfaction with their children's care arrangements. However, there are a number of possible problem areas, such as care for infants, care for children of low income working parents, and the information families have, that may need attention. Finally, a reduction in the price of care will affect behavior, and the indirect effects should be taken into consideration. In particular, it may lead to a continued increase in the use of paid care, particularly center and family day care.

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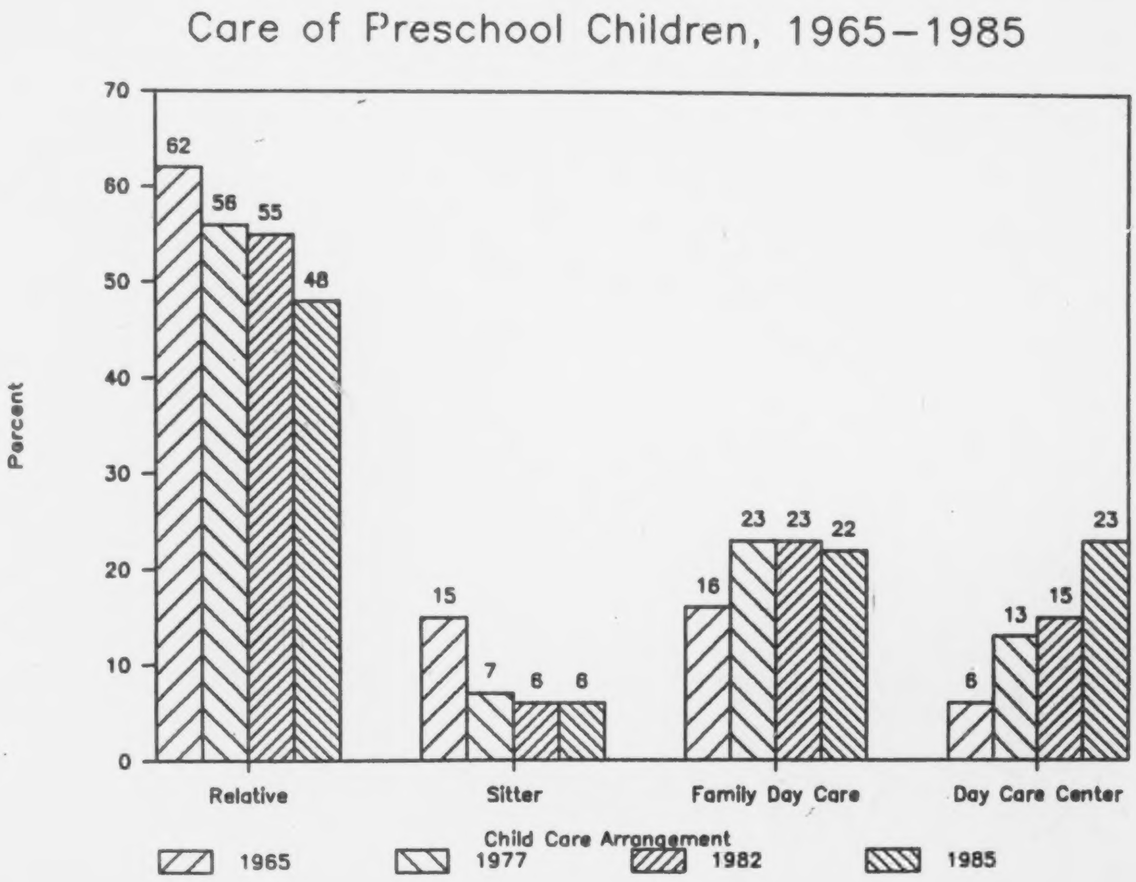
Enclosure.

FIGURE 1 ·



Care of Preschool Children, 1965–1985

Table 1: Expenditures of Families on Child Care Adjusting for Child and Dependent Care Tax Credit (Federal)

Total Family Income

	10,000	15,000	20,000	25,000	30,000
Average Budget Share Spent on Child Care	20%	15%	12%	10%	8%
Actual Expenditures on Care	2,000	2,250	2,400	2,500	2,400
Current Law - tax credit	30	27	25	22	20
Actual expenditure on care after subtracting current credit[a]	2,000	2,250	1,800	1,950	1,950
Packwood-Moynihan proposed credit	40	37	34	25	20
Actual expenditure on care after after subtracting proposed credit	1,200	1,410	1,584	1,875	1,920

[a] Assumes a 4-person family.

Table 2: Distribution of Child Care Arrangements for Preschool Children of EMployed Mothers, by Income Level, 1982

Family Income

	<$15,000	$15,000 - 24,999	$25,000+
Parent/Relative	62%	59%	45%
Sitter	6	4	7
Day Care Home	18	21	30
Center	13	16	18
Total	99%	100%	100%
Average Employment and Rate of Mothers	42%	59%	65%

Source: U.S. Bureau of the Census, 1983, "Child Care Arrangments of Working Mothers 1982". Current Population Reports. Series P-23, #129, Table 2.

PREPARED STATEMENT OF CLYDE C. HOLLOWAY

Mr. Chairman and distinguished Members of the Committee: As sponsor of the Holloway-Schulze Toddler Tax Credit Bill, I have strong feelings about child care and appreciate this opportunity to testify about legislation which is under consideration by Congress. I wish to address the need we face to pass legislation which best serves the needs of all of our nation's children and their families, and not to discriminate against the majority of families because of the conscientious choices parents make regarding their children's care.

A first aspect of discrimination which I wish to bring to your attention is one which is central to the ABC Bill, and any other legislation which is built on the model of directing grants to child care centers, instead of to families.

The only children who can benefit from a policy such as this are those enrolled in non-religious licensed day care centers. Yet this amounts to only seven percent of all the preschool children in our country. Why should we discriminate against the other 93 percent?

More than half of our country's preschool children receive full time care at home by their parents. These parents are making financial sacrifices, in the form of foregone income, in order to provide the best quality care for their children. It is unfair to penalize these families by excluding them from any form of assistance. On the contrary, their decision to provide full-time parental care for their children is one which deserves the same level of support as the decisions of other families to hire substitute care.

Another seven percent of pre-school children are in families in which the parents juggle working hours so that at least one parent will be available to care for the children. These families, too, would be penalized by ABC-style legislation because they care for their own children. An additional four percent of children are cared for by their parents while those parents are working, many of them in their own homes.

Only a minority of children receive non-parental care on a regular basis, but even among this minority, most are not in settings which would receive any form of assistance under ABC-type legislation. Eleven percent are cared for by other family members, such as aunts or grandparents, while their parents are at work. Thus, the family is the main child care agency for three-fourths of the young children in our country. And most people would agree that the family is the highest quality child care agency possible.

Only one child in four receives primary care by a non-relative. Yet even among these children, whose parents have hired a substitute caregiver, the majority are in informal, non-licensed family settings in the homes of neighbors or friends.

And finally, among the organized, formal day care centers, which provide primary care for about one child in ten in our country, at least one-third are sponsored by or based in churches. Yet these church based child care centers would be eligible for assistance under the ABC Bill only if they forfeit any trace of their religious mission and conduct strictly secularized programs—all the way down to preventing children from saying "milk and cookie" prayers or having a picture of the Good Shepherd on the wall.

The ABC-type approach not only penalizes those families who make sacrifices to care for their own children, but it also penalizes those who, by their free choice, decide that the best substitute care for their children would be in an informal family setting or in a religious child care center. American families have made considered judgments about how their children should be cared for, and Congress has a duty to respect those parental judgments, not to reward the few at the expense of the many.

Some have suggested that the reason why more parents have not freely chosen formal, licensed day care centers for their children is that they cannot afford to make that choice. Yet the evidence does not support this. Comparative studies have not shown that large, formal day care centers offer better care than smaller, informal settings—and they are certainly not better than families. Nor are formal day care centers significantly more expensive, in general than the other child care options parents may prefer. We have no business subsidizing one type of care to the exclusion of other types, and we especially should not be excluding from benefits those families who choose full-time parental care for their children.

Furthermore, to those who see an ABC-type approach as a means of making center-based care more affordable, I ask, how do you intend to cope with the skyrocketing cost of center-based care which will be the inevitable result of such a policy. One of the key elements of this approach is the implementation of nationwide licensing standards, and this will increase the cost of center-based child care enormously. In my own state of Louisiana, it is reliably estimated that national licensing standards will increase the average cost of center-based care by more than $400 a year, and in many other states the added cost of providing care will be even greater.

The ABC Bill and every bill which takes a similar approach is unsound. It totally ignores the needs of the great majority of families. The Holloway-Schulze Toddler Tax Credit Bill, on the other hand, provides substantial assistance to all working-class and middle-class families with small children, and it does so in a way which enables parents to make a completely free choice about the care of their children.

I would also like to address one other discriminatory policy today. The current Dependent Care Tax Credit contains the same weakness as ABC; it discriminates against American families' number one choice in child care—parents. This policy ignores the fact that many of the parents who choose to care for their own children are making a great financial sacrifice.

However, the Dependent Care Tax Credit goes beyond this by discriminating against poorer families in favor of the more prosperous. A family who can afford to spend the maximum amount on child care gets a much greater benefit than a family who does not have the ability to spend as much.

Congressman Schulze and I have introduced legislation which is fair to all families. Our bill provides up to $1,000 per child for families to use in purchasing or providing care for their pre-school children.

Our bill provides the greatest credit to the most needy tax paying families. However, unlike other proposals, the Holloway-Schulze Bill recognizes the needs of middle income families as well. So unlike other proposals, our bill offers significant benefits to both middle and lower income families.

The Holloway-Schulze bill allows parents to choose the type of care for their children that best fits their families needs. Our bill provides benefits to parents who choose to care for their children at home. It also provides benefits to working families and does not discriminate against them if they do not send their children to formal daycare centers. Families whose children are cared for by relatives, neighbors, or in religious child care centers would receive the full credit.

We believe that the American family is better qualified to make choices about their childrens child care than the federal government.

Thank you very much.

PREPARED STATEMENT OF SENATOR EDWARD M. KENNEDY

Mr. Chairman and Members of the Committee, I commend you for holding these hearings on child care and I welcome this opportunity to testify. As you know, both the Senate Finance Committee and the Senate Labor and Human Resources Committee have spent a great deal of time in recent years on this important issue.

The Labor Committee has recently reported the ABC Bill to the Senate, and I hope that our two committees can work closely together to craft a comprehensive solution to the increasingly serious challenge of child care facing millions of working parents across the nation.

The case for action is overwhelming. More than half of all preschool children have mothers in the work force today. Half of all married mothers with infants younger than one year old are working. As barriers of sex discrimination continue to fall, more and more women are working today because they want to work and deserve a chance to work.

At the same time, more and more women are entering the work force for another reason—economic necessity. Indeed, almost two-thirds of all working mothers are single, widowed, divorced, separated, or have husbands who earn less than $15,000 a year.

All of these families now must rely on a patchwork of child care arrangements, sometimes three or four in a single day. More than 10 million children under six require child care for some portion of the work day—yet there are only 2.5 million licensed child care slots in all of our fifty states.

Imagine the stress day in and day out on parents who must drop off a young daughter at a Head Start Center and an older brother at school in the morning, hope that their neighbor will pick up the daughter at noon and keep her next door until three, when her brother is supposed to be home to watch her until the parents arrive at six.

Add a daughter with a fever, a brother with a baseball game, a mother on a business trip, no grandparents to pitch in, and a Majority Leader who schedules a vote at 8:00 p.m.—and you have some idea that child care can be a daily nightmare for millions of working parents, and even for Members of the United States Senate.

Perhaps the most telling statistic, according to a recent Harris poll, is the fact that only eight percent of parents of preschool children believe that the system of child care in this country is working very well.

The lack of adequate and affordable child care harms children, harms parents, harms our economy, and harms our country.

Absenteeism and turnover related to inadequate child care cost the nation up to $3 billion a year in economic terms. But we will never know the true price that we pay for sending 24 million Americans to work each day wondering whether their children will be safe and healthy, and whether someone will be there to care for them tomorrow.

Our child care system fails in three critical areas: affordability, supply, and quality. S. 5, the ABC bill reported by the Labor Committee last week, addresses each of these issues in an effective and efficient manner.

Affordability. The average cost of a year of child care in this country is $3,000—in Boston, that figure is closer to $5,000. For low-income working families, child care is likely to consume one-third to one-half of the family budget. All of these parents face a Hobson's choice between work and welfare between taking a job and leaving children unsupervised, or passing up a job and caring for their family on public assistance.

The ABC Bill will give real options to parents earning up to the state median income level to choose the kind of child care they prefer. Seventy-percent of the funds authorized by the bill will be used to subsidize child care, with priority for families with the lowest incomes. States may use grants, contracts, or certificates to deliver the services, with fees charged on a sliding scale. Families may select from among a wide array of child care options—including care in the home by relatives, care in other homes in the neighborhood, and care in community-based, employment-based, or church-based centers.

Supply. According to a recent poll, close to half of those able to pay virtually unlimited amounts for child care are unhappy with their child care arrangement. The supply of child care simply has failed to meet the demand—at any price.

The ABC Bill will increase the supply of child care by breaking down barriers to entry and offering incentives to bring more providers into the market. Twelve percent of ABC funds may be used for grants and loans to establish or expand child care programs, to recruit new providers, to help communities establish after-school services and programs for sick or homeless children, and to assist businesses through public-private child care partnerships. In addition, the ABC Bill authorizes a one-time appropriation of $100 million to help states establish liability pools, so that child care providers can obtain affordable insurance.

Quality. Finally, if we are to invest in child care, we must ensure its basic quality. We must do all we can to see that the safety of children does not depend on where they live or how much their families earn. The ABC Bill includes basic minimum standards for publicly funded programs in a few key areas, such as health, safety and staff training. To encourage states to enhance the quality of child care, ten percent of ABC funds may be used to improve licensing enforcement, train existing child care providers, and expand resource and referral networks so that parents can locate the best arrangement for their child.

In each of these aspects, the ABC bill is designed to provide an indispensable foundation for the nation's child care system, and I urge the members of this committee to support it.

At the same time, I would welcome the role of the Finance Committee and the Bush Administration in restructuring and perhaps expanding the existing child care tax credit to provide realistic incentives through the tax laws to enable us to reach our goals on child care as quickly and as effectively as possible.

According to the most recent tax expenditure estimates of the Joint Tax Committee, the existing tax credit for individuals for child and dependent care expenses will cost the Treasury $3.9 billion in 1990, and that cost will rise gradually to $4.6 billion in 1994. There is currently no special tax incentive for corporations to provide child care for their employees. By comparison, the authorization for the ABC Bill is $2.5 billion in fiscal year 1990, and corporations will be eligible to participate in the program.

Further, according to the income distribution tables prepared by the Joint Tax Committee, 60 percent of the current tax expenditure for child care—$2.4 billion out of $4 billion goes to taxpayers earning more than $30,000 a year. I doubt that any of us would structure a new Federal spending program either a direct expenditure program or a tax expenditure program—with that sort of misplaced priority. We have certainly not structured the $2.5 billion authorized by the ABC Bill that way.

Both tax expenditures and direct expenditures can be used to achieve vital national goals. The challenge we face, especially in this era of limited Federal resources, is to coordinate these two types of Federal spending, so that we can achieve maximum value for our scarce tax dollars.

I suspect—in light of the criticism in some quarters of the level of funding proposed in the ABC Bill—that most Americans and even many Senators will be surprised to learn than the Federal Government is already running a $3.9 billion-a-year child care program through the Internal Revenue Code, and that we seem to be getting so little value for our child care dollars.

I would urge, therefore, as the Finance Committee considers this issue, that we work together to assess the effectiveness of the current tax expenditure for child care, and ensure that it meets the same standards of efficiency, effectiveness, and fairness that we already apply to other Federal spending. At the very least, the child care tax credit be considered with the following principles in mind:

The tax credit should be tied to actual child care expenses, rather than expanded into a general children's allowance, as suggested by the Bush Administration.

The tax credit should not create an incentive for low-cost, substandard child care.

The tax credit should be targeted on families earning below the median income, and should benefit as many families as possible within our budget constraints.

In particular, the tax credit should be refundable, so that low income families who do not earn enough income to pay taxes will also be able to benefit from the tax incentive.

As Members of this Committee are aware, it is not easy to secure the enactment of tax credits that are refundable. During Senate debate on the Tax Reform Act of 1976, I offered a Senate floor amendment to make the existing child care tax credit refundable. It was adopted by a vote of 71-21, but it was not accepted by the Senate-House conferees.

Finally, one other very important point should be made. While it is possible that a child care tax credit can usefully supplement the ABC Bill, it is in no sense a satisfactory substitute.

The Internal Revenue Service has no expertise in baby-sitting, and it would be a mistake to try to structure a comprehensive child care program in the tax laws. The direct spending program that we have designed in the ABC Bill is well-suited to achieve the essential goals of affordability, supply, and quality that lie at the heart of any child care program worth its name, and it deserves to be enacted.

Finally I urge Congress to act as quickly as possible on comprehensive child care legislation. Every day we delay, over five thousand mothers turn down paid jobs because of lack of child care. Every day we delay, more than two million children spend another day alone and unsupervised. Every day we delay, more than three million children risk injury or even death in unlicensed day care homes. We have already paid too high a price for our inaction, and there is no justification for additional delay.

I look forward to working with the Members of this Committee and other Senators on this issue, and I thank you for permitting me to testify here today.

PREPARED STATEMENT OF ELIZABETH KEPLEY

Mr. Chairman, I want to thank you for giving me the opportunity to testify before your committee this morning about child care and the tax treatment of families with preschool children.

As your committee apparently recognizes, the child care needs of millions of America's families can be addressed more equitably and efficiently through tax code revisions than through government spending programs. Rather than promoting dependency on government programs, tax-oriented approaches encourage self-sufficiency and family autonomy by allowing employed parents to keep more of their own earned income.

While tax-oriented measures are superior to government spending programs, there is nevertheless a very serious flaw in current child care tax law—a flaw that would be further aggravated by some of the proposals currently before your committee.

Under current law, the Dependent Care Tax Credit penalizes parenting. By tying tax benefits to child care expenses, the current dependent care credit perversely rewards parents for not spending time with their children.

Generally, the more time a child spends in substitute care, the greater the family's day care expenses. And the greater the day care expenses, the higher the family's tax credit.

Thus, the current Dependent Care Tax Credit discourages parent-child interaction by increasing the "opportunity cost" (in foregone after-tax earnings) that parents pay to spend time with their children. Essentially, the credit redistributes income from families that make little or no use of paid day care to those that make extensive use of such services.

Not only does this penalize families in which one parent stays home full-time to care for children, but it also shortchanges two-income and single-parent families that seek to minimize their use of substitute care by working part-time, working different shifts, working from home, or having a grandparent or other relative care for their children.

To give you an idea of how the "parenting penalty" works, consider the following example:

Mrs. Jones and Mrs. Smith are two working women who have a lot in common. Both live on the same block. Both have husbands who earn $26,000 a year. And both are pregnant with their first child.

After her child is born, Mrs. Jones decides she will return to her $12,000 a year job immediately. Conversely, Mrs. Smith decides to take at least a year off to be home with her baby.

When April rolls around and Mrs. Jones prepares her family's taxes, she discovers that she can claim a $480 tax credit for day care expenses incurred while she and her husband were working.

No such credit is extended to the Smiths. Indeed, the taxes they pay help subsidize the day care expenses incurred by their wealthier neighbors.

Now, the Smiths and Joneses have a good bit less in common. Not only do the Joneses have a significantly higher income than the Smiths, but they also have twice the tax-free employee benefits. And thanks to the Dependent Care Tax Credit, the Joneses now have a lower marginal tax rate than their poorer neighbors.

Not surprisingly, the Joneses soon buy a larger house in the suburbs (and reap the benefits of a greater tax deduction for mortgage interest).

Meanwhile, the Smiths—who have no particular desire to keep up with the Joneses—continue to wonder why Federal tax policy penalizes their decision to devote significant attention to raising their own children.

Some have attempted to defend this "parenting penalty" by asserting that paid child care is a necessary precondition to employment. "When the second parent or a single parent takes a job, [paid] child care is as mandatory as union dues for a Teamster or gasoline for a cabby," argues the Philadelphia Inquirer in a recent editorial.

But this is not necessarily true. According to a recent Census Bureau survey of child care arrangements, *half* of all preschool children with employed mothers are primarily cared for outside the paid day care market. Some are cared for by grandparents or other relatives. Others have "tag team parents" who work different shifts and trade off caretaking responsibilities. Still others have "double-time mothers" who hold jobs which allow them to care for their children while they earn income.

Supporters of the current Dependent Care Tax Credit are quick to point out that all employed parents do not have flexible work arrangements and extended family networks which permit them to minimize their use of paid child care. While this is true (and lamentable), it serves as no justification for tying tax credits to day care expenses. Indeed, doing so only penalizes families that make financial sacrifices to care for their own children and undermines efforts to develop more flexible work arrangements for employed parents.

Since the Dependent Care Tax Credit cannot be credibly defended by arguing that paid day care is a necessary precondition to employment, supporters of the current credit often turn to a second argument to justify linking tax benefits to day care expenses. They argue that families that make extensive use of paid child care are deserving of special tax benefits since they use their after-tax earnings to pay for child care while families that primarily care for their own children (receive) their child care "free."

Not only does this reasoning overlook the significant "opportunity cost" (in foregone wages) that families pay to care for their own children, but it implies that people who hire housekeepers, butlers, gardeners, interior decorators, and chauffeurs are also deserving of special tax breaks since they use their after-tax earnings to purchase services that other people provide "free" for themselves.

Of course, most defenders of the current Dependent Care Tax Credit see a big difference between giving families a tax break for child care expenses and giving people a write-off for hiring a chauffeur. Caring for children is, after all, an investment in our nation's economic and cultural future.

Here, dependent care credit proponents are right. Caring for children is of far greater social value than hiring a butler, buying a poodle, or making some other discretionary expense. It is an investment in our future. But if the justification for the current Dependent Care Tax Credit is based upon the fact that child care is an investment rather than a discretionary expense, there is no reason why this tax credit should be denied to those families who invest in children outside the paid day care market.

An investment is an investment whether it is paid in time or paid in money. Indeed, most child development experts would argue that the investment of parental time in a child's life is more important (or, to use economic terms, pays greater long-term dividends) than an investment in paid day care services.

Given the significance of parental time with children, the tax code should in no way penalize taxpayers who forego extra income to spend substantial amounts of time with their children. Instead, the tax code should be configured to reduce the tax burden on all families with children—irrespective of whether or how much they use paid day care services.

Congressmen Clyde Holloway and Dick Schulze recently introduced legislation designed to ameliorate the parenting penalty." The Holloway-Schulze bill severs the link between child care expenses and tax benefits by replacing the current Dependent Care Tax Credit with a new refundable credit worth up to $1,000 per preschool child.

This new credit, which is structured much like the Earned Income Tax Credit, allows parents to keep more of their own earned income to purchase or provide child care for their preschoolers. Apart from eliminating the "parenting penalty," the Holloway-Schulze bill would:

- *Reduce the Tax Burden on Families with Children.* During the last four decades, families with children have seen their Federal tax liability rise dramatically. In 1948, a median-income family of four paid two percent of its gross earnings to the Federal Government in income and payroll taxes. Today, a median income family of four pays 24 percent of its earnings to the Federal Treasury.

The failure of the personal exemption to keep pace with inflation has been the primary cause of rising income taxes on families with children. If the exemption had been indexed since 1948, it would now be $6,300. Instead, it is a mere $2,000.

The erosion of the personal exemption's value has had an especially deleterious effect on families with children, because the exemption is the tax code's primary mechanism for adjusting tax liability to reflect variations in family size. Since 1948, the income tax liability of families with two children has risen nearly three times as much as the income tax burden borne by single taxpayers and childless couples.

The Holloway-Schulze bill increases the tax benefits available to families with preschool children, including those that currently claim the Dependent Care Tax Credit. Under the Holloway-Schulze plan, all families with an annual income below $45,000 (and some above this threshold) will experience a net tax reduction. In all, tax benefits will be distributed among the families of 15 million preschool children. And nine families out of ten affected by this bill will enjoy a cut in taxes.

- *Target the Greatest Tax Relief to Lower-Income Families.* The Dependent Care Tax Credit has long been a boon to the rich. In 1985, the average tax benefit for a family earning less than $10,000 was $247. In the same year, families making more than $200,000 enjoyed an average Dependent Care tax benefit of $522.

Moreover, many lower-income parents currently receive no benefit at all from the Dependent Care Tax Credit because their children are exclusively cared for by family members.

For families earning less than $10,000, the Holloway-Schulze bill offers 12 cents per dollar earned up to a maximum of $1,000 per preschool child or $2,000 per familial. While the size of the credit gradually declines as income rises above $10,000, credit amounts remain quite large for lower and middle-income taxpayers. For example, a median income family earning $30,000 a year can claim a $700 per child tax credit under the Holloway-Schulze bill. This represents a 46 percent increase over the maximum per child credit permitted under law.

- *Encourage Parenting Without Discouraging Economic Self-Sufficiency.* The Holloway-Schulze bill recognizes that public policies directed at families with young children should attempt both to encourage economic self-sufficiency and facilitate parent-child interaction. This legislation is designed to help parents meet their responsibilities as both providers and nurturers.

By tying the credit's size to the amount of earned income, the Holloway-Schulze bill differs markedly from some European child allowances which offer no work incentive to low-income families. As such, this legislation largely builds on recent welfare reform initiatives which have sought to reduce dependence on government spending programs by encouraging greater economic self-sufficiency.

- *Maximize Parental Choice and Autonomy.* Allowing parents with young children to keep more of their own earned income strengthens their economic standing and gives them greater autonomy over important life decisions, such as how to care for their children. While the Holloway-Schulze bill would not penalize familial care of children, neither would it penalize families which utilize some form of paid substitute care. Indeed, by giving parents the freedom to use their tax credit as they see fit, the Holloway-Schulze bill ensures that parents will find it easier to provide or purchase the child care arrangement of their choice.
- *Enhance the Quality of Substitute Care.* In testimony before a Senate Subcommittee, Deanne Dixon, a licensed family day care provider, noted that parents strongly prefer family day care over center-based care for their infants and toddlers. And she noted that most family day care providers are themselves mothers of preschool children who care for their own children while offering substitute care to other families. Ms. Dixon said that offering a tax credit to families with children (rather than just those who pay for care) would prevent some family day care providers from feeling economic pressure to take in more children than they are able to adequately care for. In other words, a universal tax credit like that found in the Holloway-Schulze bill would enhance the quality of family day care by keeping provider-child ratios low.
- *Avoid Preschool Policy Schizophrenia.* If parenting leave legislation were enacted and no changes were made in the current Dependent Care Tax Credit, the Federal Government would be simultaneously urging parents to take leave from their jobs to care for their newborns while offering a tax break only to those families that refused such leave and paid for child care. The Holloway-Schulze bill addresses this inequity by breaking the link between day care expenses and preschool tax benefits. It ensures that parents who take leave from work to care for children will not be penalized.

However meritorious the Holloway-Schulze bill might be, some critics have suggested that breaking the link between day care expenses and tax credits is unwise because if offers no guarantee that parents will use their new $1,000 tax rebate for child care purposes.

This argument shows a fundamental distrust of parents. It implies that the very people society expects to clothe children cannot be trusted to purchase or provide care for them. Moreover, this argument fails to recognize that, except among the very poorest families, the money being offered in tax credits is money parents originally earned. Unless the government imposes a 100 percent tax rate on all taxpayers, there will always be a risk that citizens in a free society will use their own money in ways the state does not like.

While the Holloway-Schulze bill would eliminate the "parenting penalty" found in current law, several other legislative initiatives would exacerbate it. For example, legislation recently introduced by Senators Robert Packwood and Daniel Patrick Moynihan would increase the tax benefits offered to day care users under the current Dependent Care Tax Credit.

As such, the Packwood-Moynihan bill is a classic case of administering a larger dose of bad medicine rather than changing the prescription. The Packwood-Moynihan bill directly challenges the "level playing field" principle found in the Holloway-Schulze bill, and it directly contradicts pronouncements from President Bush that Federal law should not discriminate against families that care for their own children.

Mr. Chairman, I want to thank you once again for allowing me to testify this morning and I'd like to close my remarks now with this challenge . . .

In the late 1960's, Congress addressed the Federal tax code's "single's penalty." In the early 1980's, it took on the tax code's "marriage penalty." Now is the time for Congress to eliminate the "parenting penalty."

PREPARED STATEMENT OF RICHARD D. LAND

My name is Richard P. Land, Executive Director of the Christian Life Commission of the Southern Baptist Convention. The Southern Baptist Convention is the largest Protestant denomination in the United States. It is composed of approximately 37,000 cooperating churches which have about 14.8 million members. The Christian

Life Commission is the agency of the Convention charged with the responsibility of expressing to political leaders of our nation particular viewpoints embraced by Southern Baptists.

The emergence of the child care debate at the national level in the last two years is an encouraging development. It is time to acknowledge that America is selectively unkind to many of its children.

- The number of America's children who live in poverty is a national scandal. Approximately one child in five in America is a member of a family living in poverty.
- The percent of America's children who live in single-parent homes is tragic. Over 6 million families with children were headed by a single parent. About 90 percent of these households are headed by single females, who have a median annual income near $14,000.

Our nation needs to do more for its children.

It is also apparent that there is great diversity among the proposals to address the needs of America's children This is obviously true with regard to the issue of child care.

The constituency which I serve expresses itself on moral and social issues through resolutions adopted at annual meetings of the Southern Baptist Convention. Our 1988 Convention adopted a resolution on child care legislation. While we have had considerable diversity within our midst on many issues in recent years, this resolution was adopted without any apparent opposition being expressed.

Our perspective on child care proposals consists of three criteria for evaluation. It is not a proposal as such, but criteria for evaluating proposals. These criteria are as follows:

- Does the proposal emphasize a tax incentive approach to the problem?
- Does the proposal emphasize state and local as opposed to Federal regulation?
- Does the proposal target the benefits to those demonstrably in need of new assistance?

I submitted written testimony to the House Education and Labor Committee expressing our concerns about some of the child care legislation which is being considered. These concerns are relevant to a consideration of S. 5, the Act for better Child Care (ABC Bill).

Our major concern with the ABC bill is that it emphasizes Federal as opposed to state and local regulation. In considering the value of such an approach, we have posed for ourselves a quest ion borrowed from jurisprudence: Does the issue present a Federal question?

The regulation of child care is an activity which is best conducted by state and local authorities. These levels of authority, by their proximity and broad responsibility, are best situated both to provide oversight and to be responsive related to child care needs. To the extent that any Federal regulatory role is developed in the area of child care, a dual system of state and Federal regulation will exist.

It would seem that the burden of proof should be on those contending for a Federal system of regulation to demonstrate that a particular Federal question, a particular Federal need, justifies this new step.

This is especially true since a Federal role of funding the development of new child care services could be handled by utilizing a block grant approach.

There can be a Federal role which does not require federal regulation. That can be a role of expanding the availability of child care services in places where there is a demonstrated need. Financial support for the expansion of these services can be accomplished by channeling necessary funds through existing regulatory systems. This expediting, enabling role can be accomplished through a system of state regulation with greater efficiency than with the creation of an addition to the federal bureaucracy

It is our concern about the likelihood of satisfactorily resolving the question of Federal versus state and local regulation which, in part, makes these hearings so important.

The various pieces of legislation being considered today have many positive qualities: They will be more efficient in delivering Monetary relief and assistance to families, they will not require an extensive network of regulation, they will not create a new level in the Federal bureaucracy, and they help keep the focus of child care in the family.

The child care issue is a social issue, but it is, first and foremost, a family issue. The most meaningful Federal role in dealing with the need for child care is to enable the families of America to care for their own.

There is a nervousness among many of America's families about social influences upon our children. many of our constituents are among this number. Our society is one with regrettable levels of abuse, violence and addiction.

One way that many parents choose to prepare their children to deal with the complexities of growing up is to provide home-based child care. These parents believe that the development of values in early childhood will provide a more stable personality as the child matures and eventually enters the public domain of education.

Our knowledge about child development points toward the psychological and sociological importance of parent and child bonding, of attachment, of empathy, and of psycho integration. These are concepts which are the subject matter of studies which no doubt are capable of being interpreted and utilized to support a number of different policy proposals.

But they certainly reinforce the instincts and beliefs held by many members of the constituency I serve, and doubtless those of many other groups, that parental care for the child is highly important. Homebased child care is an integral part of this parent-child relationship for many parents. Our social policies, and therefore our tax structures, should make the option of home-based child care as realistic as possible.

There are various estimates about the number of mothers who are in the work force outside the home. At the upper level, the estimate is that two-thirds of mothers between 18 and 44 years of age work outside the home. Almost 60% of all women with children younger than six are in the work force, with that number projected by some to grow to about two-thirds by the mid-1990s Perhaps as many as 50 percent of mothers with children under age one work outside the home.

At the lower level some estimates put the percent of mothers with preschool age children who work full time outside the home at about 40% It seems clear that some variation in statistical reporting result from differences in assumptions about women who work part-time or seasonally as opposed to full-time.

Regardless of the figures selected for the percent of mothers who are full time participants in the labor force, there is little likelihood that mothers are going to suddenly abandon the work force and remain at home to provide child care. But, in looking at the child care needs of mothers who, for a variety of reasons, choose to work outside the home, we should likewise seek to make possible the effective choice of a mother to remain out of the labor force and to provide home-based child care. This certainly is not a constitutional right, but it is good public policy.

At present, perhaps 40 percent of child care for children under five whose mothers work is provided by relatives. (???) Some estimates put that figure at a higher level. If modifications and expansions of tax incentives can provide an economic base for even more child care to be provided within the family context for those who choose that form of child care, two positive accomplishments would result: (a) Maximum flexibility would be provided in the most direct way possible and without any regulatory system being required, and (b) some of the burden of seeking new child care services would be alleviated.

Additional tax incentives can, in fact, provide the option for home-based child care. Parents pay about $3,000 a year per child for child care. If those children are in "high-quality child care" centers, the costs are much higher.

With the median salary for full-time working women at about $16,200, even modest increases in tax incentives for home-based child care can be adequate to provide the opportunity of a meaningful choice.

One of the questions asked of all child care proposals is the cost. In our era of concerns about the budget deficits, we find that we are not able to do all that we want and need to do, including for the children of America. To the extent that we do anything new in the area of child care, we must consciously and compassionate do it for those children and families with the greatest need.

If, for example, the proposal provides benefits in the form of new child care services for those with 115 percent of median family income for a state, a family in one state earning $46,000 would qualify for federally subsidized child care. Under such a program, the benefits are not targeted toward those more economically needy families in our society.

Another consequence of such an approach, if not tied to a tax incentive approach to child care, would be to discriminate against those who choose homebased child care. Envision, for the purposes of argument, a new program of federally subsidized child care, enacted without a comparable emphasis on tax incentives The hypothetical family in the state mentioned above earning $46,000 would qualify for federally subsidized child care. An other family could have the same level income, based on the husband's salary and a mother who has chosen to provide child care within the home rather than to work. The net result would be to support the federally subsidized program for the first family with the taxes of the second family. Such an approach would penalize financially those families who choose to provide home-based child care.

If a new program is, in fact, established, in order to keep the total price tag commensurate with our ability to fund the program, the program must be more precisely targeted for those families with income levels near or below the family poverty level

As we have examined specific legislative proposals, we find a number of bills with principles which are commendable. These bills embody some of the principles which are deeply held by the constituency I serve. My testimony is offered in support of these principles. Obviously the different bills embody these principles in different manners, with different economic consequences for our nation's budget deficit, with differing levels of benefit to the families and children of our nation.

I read and hear about the need for a comprehensive child care bill. I hope that whatever is advanced in the way of a child care proposal before this Congress is something that Southern Baptists can support as an expression of our concern for and commitment to children. I urge you to make a family tax credit the cornerstone of any child care legislation considered.

Encolsure.

SOUTHERN BAPTIST CONVENTION

(San Antonio, Texas, June 14–16, 1988)

Resolution on Institutional Childcare

WHEREAS, The issue of institutional childcare in our society is being widely debated and numerous proposals have been set forth in bills pending in Congress: and

WHEREAS, Some tax subsidy proposals for childcare discriminate against families who choose home childcare by taxing all families to subsidize government-approved day care facilities; and

WHEREAS, Some of the legislation proposed would tend to benefit two-wage earner families, who generally have a higher income level than one-wage earner families; and

WHEREAS, Some of these proposals involve sensitive matters concerning church-state relations, specifically the availability of Federal funds for childcare institutions which are sponsored by churches; and

WHEREAS, Part of the debate revolves around the appropriate Federal role in stimulating growth in the availability of institutional childcare services.

Therefore, be it RESOLVED, That we, the messengers of the Southern Baptist Convention, meeting in San Antonio, Texas, June 14–16, 1988, affirm that the principal responsibility of childcare is a family responsibility; and

Be it further RESOLVED, That we express our concern a.bout the need for childcare services in those regions where such services may not be available in adequate supply, especially for parents living in poverty, many of whom are single parents; and

Be it further RESOLVED, That we express our belief that institutional childcare is most adequately regulated by local and state government as opposed to Federal Government; and

Be it further RESOLVED, That we express our conviction that Congress should explore alternatives such as tax incentives instead of proposing a new Federal system with a regulatory role for the federal government; and

Be it further RESOLVED, That we urge Southern Baptist churches to conduct their childcare programs as ministries of the local church or through cooperation among churches, without financing from the Federal Government; and

Be it further RESOLVED, That we urge that any program of childcare include adequate safeguards to maintain the separation of church and state; and

Be it finally RESOLVED, that Southern Baptists should become informed about the details of any proposed legislation which might promise financial support for childcare services, being aware that such subsidies are unwise and could hinder institutions from having a distinctive Christian witness.

Adopted by the Southern Baptist Convention, June 14–16, 1988, San Antonio, Texas, Harold C. Bennett, President and Treasurer Executive Committee of the Southern Baptist Convention

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Prepared Statement of Jane Maroney

Mr. Chairman and distinguished members of the committee: it is a pleasure to be here today in such distinguished company to discuss an issue very special to me—providing for the welfare of our nation's children, especially those at risk. The problem before us today is one that states have struggled with for some time: how we can best provide affordable, available quality child care in these times of limited fiscal resources among all levels of government? I am Jane Maroney, Representative from the State of Delaware, and Chair of the House Committee on Human Resources, Children and Aging. It is on behalf of the National Conference of State Legislatures (NCSL) that I appear before you today.

The availability of affordable quality child care is an issue that most State Legislators have been grappling with for some time. I welcome you to the fray. In Delaware, I have actively sought to remedy this problem. In 1985, I initiated and served as Chair of the Delaware Commission on Work and Family that recommended several innovations in child care provision to the Governor that have since been implemented. I continue to sponsor and advocate child care legislation and also serve as a member of the National Child Care Action Campaign.

I have actively participated with NCSL in its many activities and programs directed at enhancing state efforts for addressing children, family, and youth services. Because of my participation, I have had first-hand opportunities to discuss child care with State lawmakers from around the country and will be able to share with you the many divergent points of view and creative policy options which are reflected in NCSL's child care policy.

We at NCSL understand that Congress must weigh program options against other human services needs and appropriate from a narrowing pool of dollars. State Legislators do the same. With the burden of having to reduce the Federal budget deficit, there are some very real, hard choices that must be made in order use limited resources effectively.

The National Conference of State Legislatures deliberated for nearly two years to adopt, by consensus, its own child care policy, using examples of successful programs in the States. We believe that Federal action must supplement State efforts. We further believe that Congress should construct a comprehensive approach to caring for our nation's children. A comprehensive Federal child care program would include a mixture of tax credits for low income families, grants to States for programmatic initiatives to ensure available affordable quality care and expansions of key existing programs.

Congress should expand the dependent and child care tax credit and make it refundable for low income families. A refundable dependent care tax credit as suggested by President Bush, Senators Moynihan and Packwood, and Senator Gore and Representative Downey, targeted to low income families would increase the amount of money that working poor families have to spend on their child care expenses and allow families with minimal, if any, Federal income taxes to take advantage of the credit. In the Family Support Act, States are required to meet the child care needs of those on public assistance who participate in the jobs program and for the year of their transition to the working world. We should make working just as feasible by helping working poor parents who incur child care expenses in order to work meet those expenses. This is especially critical for single mothers who are unable to achieve economic self-sufficiency if there is no one to care for their children.

A tax credit alone at any level of government is not sufficient for a comprehensive child care program. A Federal program that consists of only a tax credit assumes that poor families have access to affordable, quality child care. Unfortunately, this is not the case. This is where the State and State legislators in partnership with the Federal Government play a crucial role.

A comprehensive child care program must include significant programmatic assistance. Legislation like S. 412, the Packwood/Moynihan bill, that assists both parents' ability to pay and their need to find affordable, quality child care is necessary. Increasing the funding for the social services block grant by $400 million as proposed by Senators Packwood and Moynihan is a step in the right direction. NCSL supports this increase in Title XX, but prefers that this increase not be earmarked for child care.

A third vital component, not in S. 412, but certainly reflected in many other bills introduced in the Senate, should be added. A modest program of quality incentive grants to States should be considered. These grants would help to leverage State efforts to improve and broaden essential child care services. Such grants could be particularly helpful in the areas of licensing and enforcement of State child care standards, resource and referral, and provider training.

This three-part approach would make the most of restricted Federal dollars because they supplement State, local and private efforts. State child care policies demonstrate a broad array of strategies designed to assist families. These programs include support to parents in education and training programs, reducing the cost of child care through direct or indirect subsidies and public/private partnerships, contributing to the expansion and accessibility of these programs, and improving the quality of care through training, licensing and enforcement of State child care standards. California alone spends more than $500 million on its child care program, which includes State tax credits, subsidized low-income child care programs, pre-school child care programs, resource and referrals and licensing and enforcement. Federal funding should act as an incentive and catalyst for State action to responsibly address child care needs.

State legislators know how best to serve the diverse needs of their communities and should retain the authority to set standards. States evaluate and determine what child care activities work—they should have the flexibility within a Federal program to use precious dollars towards those activities. Federally mandated standards and restrictions would limit the availability for child care and substantially increase their costs. We want to encourage private sector involvement in child care in these areas and Federal intervention would be a deterrent.

In Delaware, our commission on work and family recommended a statewide resource and referral system called the child care connection that is privately funded. We provide a modest tax credit for parental child care expenses, provide subsidized child care for low-income children, and have been actively working with the business community to increase the availability of child care and to act as an information broker to educate them about work/family issues. I am currently the co-sponsor of legislation to provide a 30% tax credit for employers who sponsor child care activities.

Our State provides child care services for before and after school, all day "prepreschool" for toddlers, and infant care. we license and enforce standards for home care, center-based care, and residential group homes. in 1988, Delaware spent almost $4 million of State and Title XX money on child care. Delaware used 28.8% of its Title XX, social services block grant allocation to fund these activities.

States are particularly wary of Federal mandates, especially today when mandated programs are often underfunded. States are currently engaged in meeting new mandates in welfare reform, catastrophic health insurance, and nursing home reform. My fear is that States, particularly those already fiscally constrained, are going to confront some difficult choices which could work counter to the purposes of these essential programs. I also fear that Federal funding below authorized levels for these programs or changes in administrative funding regulations will export all or most of the Federal Governments' funding responsibility to the States. The administration's FY 90 budget proposal has exacerbated these concerns. The proposal underfunds the jobs program at $300 million rather than the authorized $800 million dollars, and most States do not have the revenues to cover these costs. New child care mandates, which NCSL does not support, would add to States' tenuous fiscal situations.

A comprehensive child care program, especially one designed to help children at risk, would be incomplete without an early childhood education component. Head start has proven to be an effective intervention for these children. I would like to remind this committee that currently we only serve 17% of eligible children. An increase in head start funding is long past due.

The National Conference of State Legislatures has a long standing commitment to improving the effectiveness and quality of State child care programs. Since 1985, the conference has had a child care/early childhood education program which provides technical assistance and information to State legislatures. To encourage interstate cooperation and communication, we just published *Child Care and Early Childhood Education Policy: a Legislator's Guide* which will be distributed across the country.[1]

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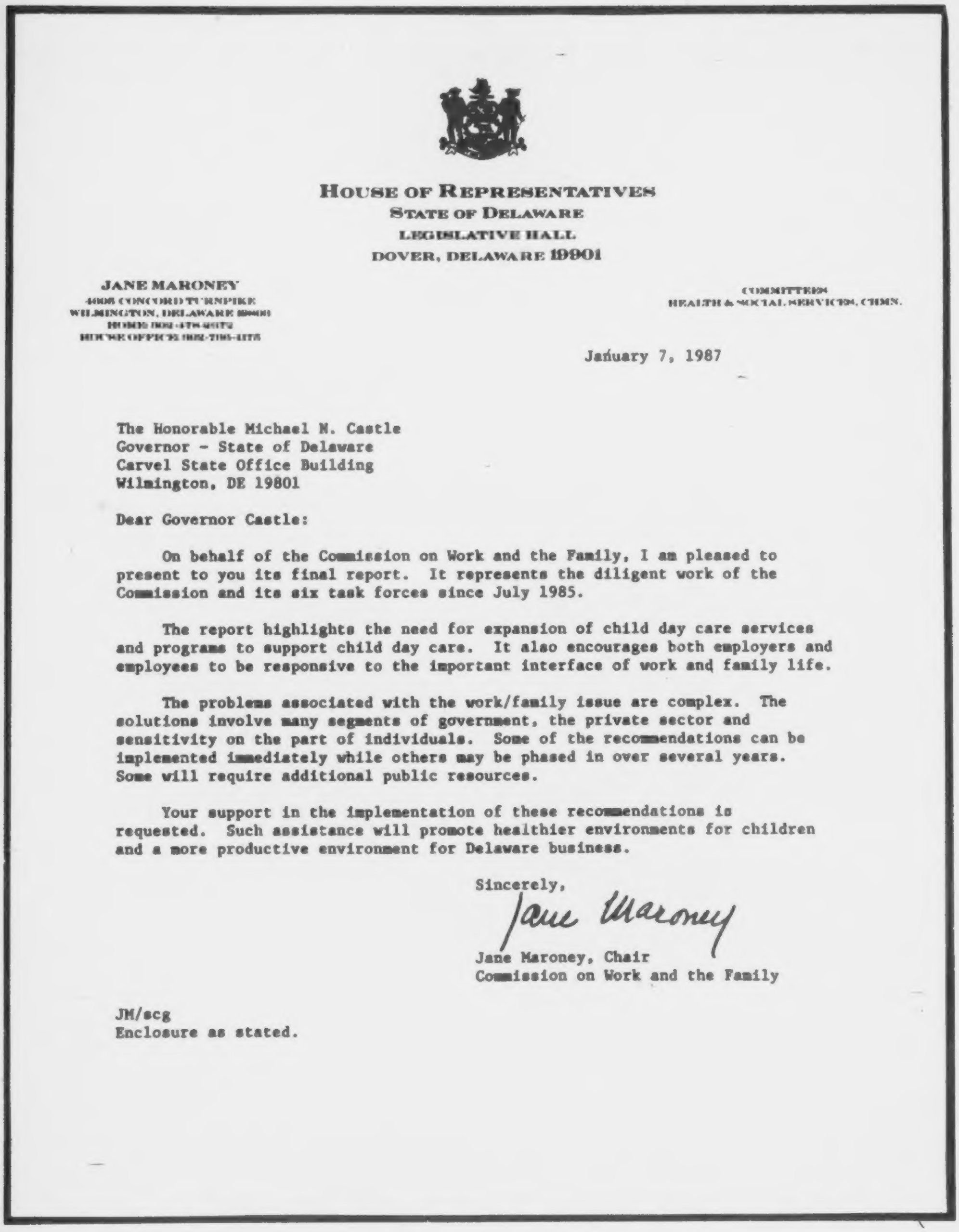
[1] Made part of the committee files.

We hope that you will call upon our project staff if you think they can be of assistance in your efforts.

On behalf of NCSL, I thank you for this opportunity to share our views with you. The conference looks forward to working with you to develop a comprehensive child-care program.

Enclosures.



HOUSE OF REPRESENTATIVES
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COMMITTEES
HEALTH & SOCIAL SERVICES, CHMN.

January 7, 1987

The Honorable Michael N. Castle
Governor - State of Delaware
Carvel State Office Building
Wilmington, DE 19801

Dear Governor Castle:

On behalf of the Commission on Work and the Family, I am pleased to present to you its final report. It represents the diligent work of the Commission and its six task forces since July 1985.

The report highlights the need for expansion of child day care services and programs to support child day care. It also encourages both employers and employees to be responsive to the important interface of work and family life.

The problems associated with the work/family issue are complex. The solutions involve many segments of government, the private sector and sensitivity on the part of individuals. Some of the recommendations can be implemented immediately while others may be phased in over several years. Some will require additional public resources.

Your support in the implementation of these recommendations is requested. Such assistance will promote healthier environments for children and a more productive environment for Delaware business.

Sincerely,

Jane Maroney

Jane Maroney, Chair
Commission on Work and the Family

JM/scg
Enclosure as stated.

Commission on Work and the Family

Chairperson:

The Honorable Jane P. Maroney
Chairperson, Human Resources Committee
Co-Chairperson, Committee on Children
House of Representatives of Delaware

Members:

The Honorable Thomas Eichler
Secretary, Department of Health & Social Services

The Honorable Charles Hayward
Secretary, Department of Services for Children, Youth & Their Families

Ms. Paula Breen,
Director, Child Care Connection

The Honorable Mathias Fallis
Secretary, Department of Labor

Ms. Marcilee Bierlein
Director, Office of State Personnel

Dr. William B. Keene,
Superintendent, Department of Public Instruction

The Honorable Gerald Buckworth
Chairperson, Committee on Children
Co-Chairperson, Human Resources Committee, House of Representatives of Delaware

Ms. Yvonne G. Whitham
Director, Love & Learn Nursery

The Honorable Theodore Blunt
Director of Federal Programs
Red Clay School District

The Honorable Herman Holloway
Chairman, Senate Committee on Health—Social Services/Aging

Dr. Dale E. Wolf
Group Vice-President
E. I. du Pont de Nemours & Company

Dr. Sarah Van Camp
Retired, University of Delaware

Dr. Louis H. Papineau
Director, Delaware Development Office

The Honorable Myrna L. Bair
Delaware Senate

The Honorable Katherine Jester
Delaware House of Representatives

Mrs. Muriel E. Gilman
Executive Vice-President, United Way

Colonel Clifford M. Graviet
Delaware State Police

Staff:

Dana Jefferson
Senior Planner, Department of Health & Social Services

Mary Ball Morton
Social Services Administrator
Department of Services for Children, Youth and Their Families

Executive Summary

The Commission on Work and the Family (and its six task forces) met from July 1985 to November 1986 exploring the relationship of families and Delaware's business environment. Child day care services and work/family options, such as the use of permanent part-time employment, were investigated. The Commission's work reached many Delawareans via public forums and three major surveys which were distributed to over 4000 individuals.

A summary of the Commission's findings are presented below:

- The demographics of employees have changed considerably over recent years. More mothers are working, and this number is expected to rise. While women may work for reasons of self-fulfillment, many must work to help support their families. This is true for many two-parent families but is critical for single parents.
- Child care is not just an issue for poor women. Employed mothers of all income levels experience work/family difficulties. Studies have also shown that men are becoming increasing affected by child care and related work-family strains.
- There are more individuals requiring child care than there are licensed day care facilities. As the number of children increase and the number of child care workers decrease (because of low wages and a shrinking pool from which to draw employees) this problem will continue to grow.
- Businesses need to be educated to these changing demographics. They should understand that research has shown their productivity is affected by working family concerns.
- Wages of child care providers, the amount parents can afford to pay and the quality of care are interrelated. If one is altered it will affect the other two.
- Parents are concerned about the quality of care their children receive. This problem is increased by the lack of on-going accessible training programs.
- Parents often have difficulty obtaining information on child care. This problem has been addressed in New Castle County, by the Child Care Connection, but a void still exists in Kent and Sussex Counties.
- Many cannot afford to pay the full cost of child care. Without subsidies these individuals may be compelled to leave the workforce.
- Delaware parents have repeatedly stated their need for before and after school child care, summer child care, infant care, sick child care and care for special needs children.

Delaware has begun working on several of the above problems but much remains to be done. The Commission recommends that the following steps be taken as outlined in the next two pages.

Recommendations	Implementation Responsibility
1) A Study should be conducted of the "day care trilemma," the crucial interaction between the inadequate wages of child care workers, the fees that parents can afford to pay and the quality of child care.	**The University of Delaware.** A report with specific recommendations should be published by January 1988. Additional funding is necessary to accomplish this recommendation. Child day care providers should be consulted in the development of this report.
2) The educational system should be encouraged to aid "latchkey" programming by: • providing transportation to child care facilities instead of home if requested by parents. • allowing non-profit organizations to provide school age child care in school facilities. • piloting a "latchkey" program in one of the special schools for the handicapped. • conducting a feasibility study to examine the extent of need for "latchkey" services. • piloting an optional full-day kindergarten in one or more school districts, with an after-school component funded by fees charged to parents.	**The Department of Public Instruction,** with the assistance of the Office of State Planning, the Delaware Commission on Women and support from the private sector.
3) The State's purchase-of-service child care program (public subsidy) should be improved by implementing the recommendations of the James Bell study as amended by the Dept. of Health and Social Services.	**The Department of Health and Social Services.** Items should be implemented incrementally, with completion by 1989.
4) Child care resource and referral should be made available throughout the state to assist parents in finding appropriate, affordable child care. The Child Care Connection, which presently provides this service in New Castle County, should serve as a model.	**The Private Sector.** Service should be in place by year-end 1987.
5) Care for children under age three should be expanded by recruiting and training approximately 75 more family day care providers.	**The Delaware Development Office,** with training as per #6.

Recommendations	Implementation Responsibility
6) Child day care providers should have access to adequate, appropriate and regular training, including how to serve special needs children and the concept of training trainers.	**The Office of State Planning** should coordinate efforts of state agencies, educational institutions and private groups.
7) Employers should review personnel policies and programs to make them more sensitive to work/family issues: • Assess expansion of maternity/paternity benefits. • Assess redefining sick leave to include sickness of dependent family members. • Implement more work schedule options to increase flexibility through individual work schedules, part-time employment, job-sharing alternatives.	**The Private Sector** and the **Office of State Personnel.**
8) State government should foster an improved climate for work/family issues by acting as information broker and convener of conferences and seminars to educate business community about work/family issues.	**The Delaware Development Office,** with the State Chamber or a special-purpose ad hoc group representing employers. Materials for employers to be ready by July 1987.
9) The Delaware Code should be updated so that child care licensing is no longer under the auspices of the 1915 Boarding Home Regulations.	**The Department of Services for Children, Youth and Their Families.**
A small Implementation Task Force should be formed to oversee execution of the above recommendations. Teams should consist of representatives of organizations charged with responsibility of specific recommendations.	**Special Task Force** to be formed by January 1, 1987. Periodic reports to the Governor are suggested.

This publication is made possible by a grant from the Du Pont Company.

For a copy of the full report, send five dollars to:

Mary Ball Morton
Staff Commission on Work and the Family
330 East 30th Street
Wilmington, Delaware 19802

trends

URGENT

To: **Secretary of Labor, Elizabeth Dole**
U.S. Department of Labor
Washington, D.C.

From: **The Child Care Action Campaign**
99 Hudson Street, Suite 1233
New York, NY 10013

Date: **Spring 1989**

Re: **CHILD CARE AND THE AMERICAN WORKER**

Americans are deeply troubled by the growing national crisis resulting from the lack of affordable *quality* child care services for America's working families. Given your pledge to "promote and protect the welfare of America's working men and women," we are delighted by your appointment. We urge you to use your vast talent and to draw upon every available resource to grapple with the child care crisis.

Never before has so much been at stake. Parents (mothers and fathers) face a daily challenge: how to be both productive workers and loving, nurturing parents. Businesses must confront a poor rate of productivity and a dwindling labor force with declining skills. Government, at every level, must confront serious economic problems reinforced and exacerbated by the country's lack of a viable family policy. Our nation, our economy, and our children need your leadership.

The Child Care Action Campaign has drawn together many of the best state and community leaders in the country to form our National Advisory Panel. The panel consists of ten to twelve leaders in each state, representing business, labor, the media, government, and child care experts. These leaders, who have substantial effects on policy formation in their own states, have recently helped us to complete the first of a series of "Trends Reports" which will keep us informed about family policy opinions and programs across the country.

We present TRENDS REPORT #1 to you, based on our first survey. We believe that it will be helpful to you as you shape your work and family agenda. It makes key recommendations from the "front lines".

The Child Care Action Campaign will continue to provide you with useful information, and hope that you will call on us for any assistance. We look forward to working with you as you begin to deal with the urgent problem of sustaining a productive labor force.

trends

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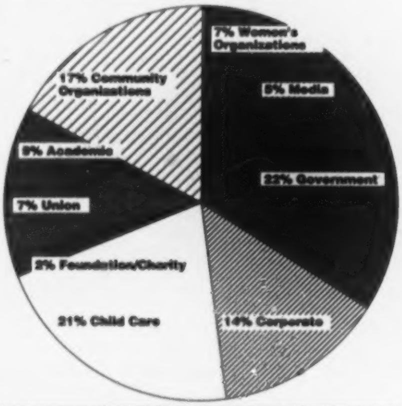
Organizations listed for identification only

The CCAC National Advisory Panel is an advocacy-oriented information-sharing network made up of state leaders from all 50 states as well as the District of Columbia and Puerto Rico. The Panel membership represents the following constituent groups:



CCAC National Advisory Panel Constituencies

Thanks

Dana Friedman, Senior Associate at The Conference Board and CCAC Vice-President developed both TRENDS SURVEY #1 and its subsequent analysis in TRENDS REPORT #1.

The following Board members of CCAC made significant contributions to the development of TRENDS SURVEY #1 : Gwen Morgan, Bettye Caldwell, Sheila Kamerman, and Ellen Galinsky.

Graham Staines, Senior Research Scientist at the Bank Street College of Education provided important direction in the analysis and presentation of the data in TRENDS REPORT #1.

CCAC thanks all the members of the Panel who took the time to complete TRENDS SURVEY #1 and thus provide us with the above information.

Methodology

These findings of the National Advisory Panel are culled from the CCAC National Advisory Panel TRENDS SURVEY #1, circulated in October, 1988. Market Probe — an international marketing firm — provided the data-entry and cross-tabulation services. The response rate was 83%.

NOTE: "Community" groups are primarily foundations, women's groups, labor unions, public schools, and other community organizations. The "Other" category includes either media representatives or religious groups.

A more comprehensive summary of TRENDS SURVEY #1 findings is available from the CCAC for $5.00.

The original CCAC National Advisory Panel TRENDS SURVEY #1 is also available. Please send a self-addressed, stamped envelope.

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I. WORKING PARENTS

NAP Findings:

- Overwhelmingly, the Panel disagrees that child care is a women's issue (88%). The Panel also asserts that fathers are assuming increasing responsibility for their children's care (58%). Corporate Panel members display these patterns even more strongly; 93% of the corporate Panel responses indicates that child care is not just a woman's issue and 63% of the Panel is aware of fathers playing an increasing role.
- The Panel is divided on whether children are better off in their mother's care. Only one-quarter of the Panel agrees that it is better for a child to be in a mother's care than in a child care program. However, one-quarter of the Panel disagrees. Given the Panel's emphasis on quality, a significant percentage is unsure (43%) about the benefits of mother care versus child care. Interestingly, more men agree (41%) that a mother's care is better than women (17%).
- Forty-six percent of the Panel agrees that parents do not have time to lobby for child care supports. This parallels the response of 47% of the Panel parents who agree that they don't have time to lobby. Still, 33% of the entire Panel disagrees, feeling parents could be more active.
- More than half (58%) of the Panel believes that it is risky for parents to reveal their child care difficulties while on the job. Women believe this more than men (60% as compared to 50%) and child care experts believe it more than corporate representatives (71% as compared to 47%).

Implications:

With mothers in the work force to stay, child care has become the shared responsibility of both mothers and fathers. American economic policy must address child care issues not only because women need it to work but because men need it as well. No longer will the economy function without also addressing child care as a "working father" issue. The debate is no longer whether mother-care is better than child care but rather how we, as a nation, guarantee the quality of out of home child care.

Unfortunately, parents have little time or opportunity to tackle the problems of the child care crisis due to their already heavy double commitment. Often, they feel isolated by and with their concerns. They reach the end of the day with laundry to wash and lunches to pack.

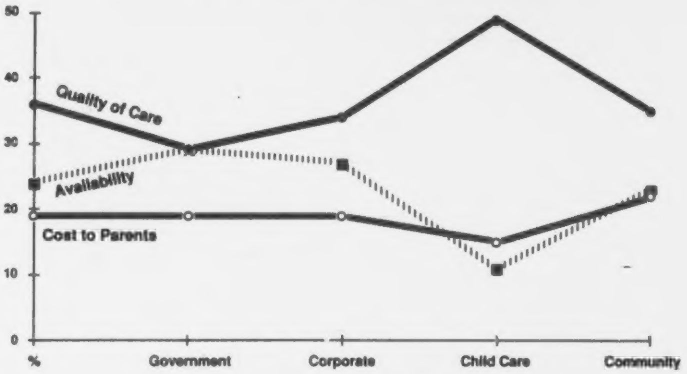
Parents want to care for, nurture, and educate their children. Yet these responsibilities have become more complicated and stressful. Parents also want change — to improve child care — but with their stressful home and work lives, they are often precluded from taking action on these issues. Lack of action on the part of parents puts an even greater responsibility on the "stakeholders" of child care to address and be sensitive to the needs of working parents.

Finally, we must also remember that one of the ways parents care for their children is by working to provide income. As a country, we must ensure that parents can afford *quality* child care in order to fulfill these responsibilities. We must create a healthy supply of quality child care and never ask parents to enroll their children in anything less.

II. QUALITY: THE OVERRIDING CONCERN

NAP Findings:

- Quality is a major issue of concern to this distinguished group of state leaders. Not only does a vast majority (79%) of the CCAC National Advisory Panel disagrees that current child care programs are of the quality they should be, but the highest proportion of the Panel — 36% — ranks quality as the area of greatest concern within the child care delivery system today.
- Sixty percent of the Panel believes that parents do not have their children in their preferred/first choice child care arrangement. While 62% of the Panel agrees that it is the parents ultimate role to assure quality in child care, 60% of the Panel agrees that parents worry about the quality of their children's care arrangements.



1. Overriding Concerns of Panel Members

Table 1: This table, graphed above, shows the percentage of NAP members in selected groupings who, when given a list of 20 alternatives, mentioned quality, cost or availability as their *first choice.*

	TOTAL	**Government**	**Corporate**	**Child Care**	**Community**	**Other**
	(428)	(119)	(70)	(82)	(113)	(44)
1. Quality of care	36%	29%	34%	49%	35%	41%
2. Cost to parents	19%	19%	19%	15%	22%	11%
3. Availability	24%	29%	27%	11%	23%	30%

	Northeast	**North Central**	**South**	**West**
	(82)	(96)	(138)	(96)
1. Quality of care	23%	35%	44%	37%
2. Cost to Parents	17%	21%	14%	25%
3. Availability	38%	24%	22%	16%

Implications:

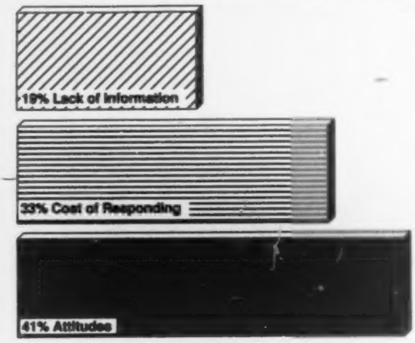
While the Panel reaffirms that parents have the critical role in assuring quality child care, additional findings indicate a *need for supports* to help parents get the quality they seek. A direct relationship exists between the quality of care and its cost. Providing quality child care costs money. Not surprisingly, the inverse — lower cost care leads to lower quality programs — is usually also true. "Warehousing" an entire generation of children will cost the U.S. even more money in the future.

While quality is clearly one of the most important elements in child care, improving the quality tips the delicate balance among two other concerns: the cost and availability of care. Since 75% of the cost of providing care is spent on salaries — with providers earning an average of $9,204 a year — an attempt to mitigate attrition rates and improve quality by upgrading the low salaries and currently limited benefits may result in raising the cost of care. Many parents already have enormous difficulty paying for child care. If we improve quality, by increasing salaries and improving ratios, we need to increase assistance to parents.

Parents can effectively evaluate and choose quality care if they have options. These options include financial supports to pay for quality care for their children. The lack of a supply of quality child care inhibits parents' ability to "parent". To create such a supply, a viable partnership must exist among all sectors and interested constituencies.

III. EMPLOYER INVOLVEMENT: NOT THE COMPLETE SOLUTION

2. Obstacles to Employer Involvement



NAP Findings:

- The majority of the Panel (59%) strongly agrees that child care is a sound business investment. Eighty three percent strongly agrees that unmet child care needs can have a negative impact on work performance. The corporate Panel response parallels these findings (47% and 77% respectively).
- However, 90% of the entire Panel and 87% of corporate Panel members disagree with the statement, "Employers are doing enough to meet the child care needs of their employees." Ninety three percent of the Panel members also feels that although small employers may have greater difficulty in providing certain child care supports, they *can* still respond in some way.
- In terms of obstacles to employer involvement, 41% of the Panel indicates attitudes to be the most pressing issue while 33% thinks the cost of responding is the greatest deterrent. Corporate representatives on the National Advisory Panel are evenly split on the cause of inaction: 39% believes attitudes while 39% believes cost to be the biggest obstacle.

Table 2: Obstacles to Employer Involvement

	Total	Government	Corporate	Child Care	Community	Other
Attitudes	41%	40%	39%	39%	46%	35%
Cost of responding	33%	22%	39%	34%	34%	46%
Lack of Information about options	19%	30%	14%	21%	14%	5%

	Northeast	North Central	South	West
Attitudes	44%	40%	39%	44%
Cost of responding	28%	37%	37%	25%
Lack of Information about options	23%	19%	16%	21%

Implications:

American business has a direct interest in promoting the growth and development of the economy. Part of this responsibility involves considering long term investments and patterns of growth rather than short term quarterly profits. A sound investment, by definition, results in a payoff. Because child care is closely linked to working parent performance, an investment in child care would pay off substantially.

The Panel members suggest that business could be doing more. While some have asserted that business will solve the entire child care problem, according to our advisors, business will not. Still, we must provide incentives for a greater commitment by employers to offer child care assistance both to their own employees and to the community.

A few forward thinking companies understand the ramifications. We have a responsibility to encourage others — of all sizes — to take action.

IV. THE NEED FOR FEDERAL GOVERNMENT LEADERSHIP

NAP Findings:

- Eighty-seven percent of the Panel believes that the Federal government ought to spend more on child care. Despite agreement among the Panel about the need for the Federal government's investment in child care, somewhat fewer Panel members (69%) believe that the greatest share of Federal support should go to low-income families. The complete targeting of money to low-income families is less frequently preferred by corporate (59%) and child care (62%) representatives.
- Eighty-eight percent of the Panel, including 90% of the women and 83% of the men, disagrees with the statement that "The government should not help parents to pay their child care expenses because it will only discourage them from staying home to take care of their own children." Accordingly, 62% of the Panel disagrees with the perception that "Child care legislation discriminates against those women who stay at home to care for their children."
- In addition, 45% of the Panel rejects the statement "If federal dollars are committed to child care support, there should also be financial support provided to families in which the mother stays home and cares for her children." Corporate panel members (57%) are among the group most likely to disagree.
- Seventy-four percent of the Panel favors financial incentives to employers who sponsor on- or near-site child care centers. The entire Panel is slightly less inclined (62%) to provide such incentives for broad child care supports, such as parent seminars and Resource and Referral. Interestingly, corporate Panel members are one of the least likely to agree that financial incentives are needed for the broader range of child care initiatives (56%).
- The majority of the Panel — 69% — agrees that the Federal government should establish national standards to ensure the safety of children in child care. At the same time, the Panel are evenly divided about whether Federal standards, if established and enforced, could guarantee quality — about one-third agrees, one-third disagrees and one-third is unsure.

3. The Role of Government

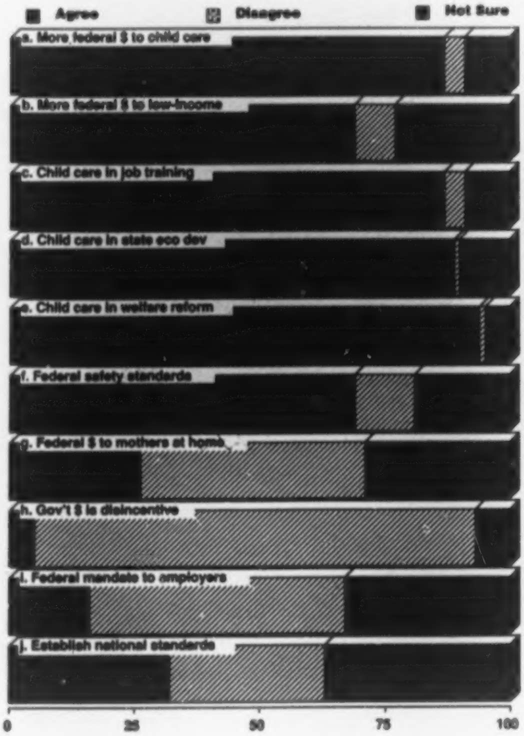


Table 3: The Role of Government

	Agree	Disagree	Not Sure
a. The Federal government should target more of its resources for child care	87%	4%	9%
b. The greatest share of Federal support should be targeted for low-income families	69%	8%	23%
c. Child care should be part of all government funded job training programs	87%	4%	9%
d. Child care should be integral to state economic development efforts	89%	1%	10%
e. Child care has an important role in welfare reform	94%	1%	5%
f. The Federal government should establish national standards that ensure the safety of children in child care	69%	12%	19%
g. If ederal dollars are committed to child care support, there should also be financial support provided to families in which the mothers stays home and cares for her children	26%	45%	29%
h. The government should not help parents to pay for their child care expenses because it will discourage them from staying home to care for their children	5%	88%	7%
i. The Federal government should mandate child care support from employers	16%	51%	33%
j. The establishment and enforcement of national standards will ensure quality child care	32%	31%	37%

Implications:

Clearly, when analyzing what the Federal government's role should be, the most serious implication is that the Federal government is largely a missing contributor. To make progress in child care, the Federal government will have to assume a leadership position and will have to invest money into creating a supply of quality child care which working parents can afford.

Our data reveals that Panel members believe that families need help, suggesting that all families are not receiving the support which they currently need. The Panel strongly feels that supports are necessary but does not necessarily agree that child care supports should be given to those who care for their children at home. While "give aways" are not the answer, concrete initiatives seem to be.

What sector is going to take action? We know that all sectors benefit from an investment in child care. Consequently, all sectors must pay for the investment. Even though this formula is clear, the investment will not be made unless the Federal government inspires leadership. The first step is to back up Federal commitment with action. Public-private ventures are highly touted but such programs are based on an infrastructure built by government. The Federal government is a key factor in the child care solution.

V. CHILD CARE: A BOTTOM LINE ISSUE

NAP Findings:

- Nearly every National Advisory Panel member feels that child care should be linked to economic development (89%), job training programs (87%) and welfare reform (95%).

Implications:

It is impossible to ignore the direct link between child care and the American economy. Today, working parents report declines in their productivity because they worry about child care concerns while at work. Furthermore, child care affects our children, this country's most valuable resource, and our future labor force. As we shift towards a global economy, the U.S. must improve its productivity, particularly in the growing service sector, in order to compete. As jobs demand more skilled labor, we will also need a well prepared labor pool upon which to draw.

trends

We, the Child Care Action Campaign, urge the U. S. Department of Labor to:

- **Make child care an integral part of its agenda** and encourage others to understand both the long and short term economic ramifications of the lack of quality child care;

  Specifically: work with the Secretary of Commerce to integrate work and family concerns into the economic development plan of this nation.

- **Develop and implement a leadership role** for the Federal government which allows states to design the specific form and content of programs as well as to provide and receive financial support.;

  Specifically: support Congressional and Executive branch efforts to pass the necessary child care bills to implement the following programs.

- **Encourage an investment in quality** child care. Cheap alternatives will compromise the health, safety and development of children and their families;

  Specifically: support the creation of minimal national health and safety standards (as the Department of Defense has already done).

- **Ensure that all sectors invest** in child care solutions, specifically designing incentives for corporate assistance while recognizing that employers alone will not solve the child care crisis;

  Specifically: adopt a realistic notion of business involvement and should update its 1988 task force report, "Child Care: A Work Force Issue" by reexamining the computation of the extent of employer support.

- **Assist in changing attitudes** that suggest child care is a benefit for women since quality care enables *both* parents to balance demanding roles and since men report that they have assumed an increasing role.

The Child Care Action Campaign (CCAC) is a coalition of leaders from a wide range of American organizations, whose long range goal is to set in place a national system of quality, affordable child care, using all existing resources, both public and private.

CCAC

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New York, NY 10013

PREPARED STATEMENT OF REBECCA A. MAYNARD

Mr. Chairman and Members of the Committee: I am Rebecca Maynard, Vice President and Deputy Director of Research at Mathematica Policy Research, Inc. I am pleased to have this opportunity to participate in your committee hearings on child care, welfare programs, and tax credit proposals. I want to preface my remarks by acknowledging my participation in the National Academy of Sciences Panel on Child Care Policy as well as my role in the conduct of a major child care survey and evaluation for the Department of Health and Human Services and to make clear that my remarks should not be viewed as representing the opinions or conclusions of either the National Academy of Sciences Panel or of the Department of Health and Human Services.

INTRODUCTION

Child care is a concern for all families with young children and it presents problems for many. It is important to recognize, however, that the nature and intensity of the child care problems faced by families with young children differs by family circumstances, with the problems being most severe and most complex among poor families. In view of the focus of these hearings, I want to direct my remarks to issues related to our knowledge of the child care needs of and options available to low-income families and to the implications of this knowledge for Federal policy.

There are several reasons why we need to focus national policy on the child care needs of low-income families. First, child care is critical to enabling low-income parents to engage in work, school, and training activities that can help them to achieve and maintain economic self-sufficiency. Second, child care and other forms of early intervention can contribute significantly to breaking the cycle of poverty. Third, and quite important to this committee, is the changing attitudes regarding welfare and the role of mothers as primary caregivers. And, fourth, problems of accessibility and cost of child care, which are major problems nationally, are particularly acute for low-income families.

There are over 3 million poor families with preschool age children in this country. Most of these families are either single parent households (in which about 30 percent of the custodial parents are employed) or they are 2-parent families in which only one adult is employed. Virtually all avenues for these poor families with young children to escape poverty involve relying on either shift work (among two parent families) or some form of nonparental child care.

While we all share the goal the helping of poor families escape poverty, we need to also consider the intergenerational effects of actions to promote economic independence of families. It is well established that children from economically disadvantaged backgrounds are at especially high risk of poor social development, low academic achievement, and, hence, of remaining poor. Increasing parental employment and income is key to breaking this cycle of poverty. However, there is also a body of literature that suggests that parental time inputs into child rearing are important to the long-run achievement of children (Stafford, 1987, Hill and Duncan, 1987). Thus, it seems critical that, with increasing numbers of low-income children spending substantial amounts of time in nonparental care, we should focus public attention on ensuring that the quality of the child care is not only adequate, but that, to the extent feasible, the care be designed to mitigate the adverse consequences of growing up in or near poverty.

Beginning with the many state welfare reform demonstrations that were authorized under the OBRA amendments of 1981 and continuing with the recent passage of the Family Support Act, we have seen a shift in public attitudes regarding welfare and the roles of parents, especially low income parents, vis a vis parenting versus employment. The prevailing attitude is that parents have obligations to support their children economically and this obligation takes priority over their choice between reliance on maternal versus nonmaternal child care. There are currently 3.5 million preschool age children in welfare households, about 40 percent of whom are over age two. Full implementation of the Family Support Act would result in the majority of these children being placed in full-time or nearly full-time child care, increasing the demand for nonparental child care by as much as 10 percent.

These low income families who are going to be using child care in greater numbers face greater barriers than do middle and upper income families in arranging acceptable care. The reasons relate to cost, location and transportation, information (and role models), and to special needs, including greater need for child care to accommodate nonstandard work schedules.

NEW DATA TO INFORM THESE CONCERNS

Mathematica Policy Research has just completed a major survey of child care supply and demand in three low-income urban areas: the South side of Chicago, Camden, New Jersey, and Newark, New Jersey (see Kisker et al., 1989) for the purpose of examining the child care markets in low income areas and the child care needs of and options available to families with preschool-age children.

The Demand for and Supply of Care

What we found from these surveys is that the child care market in low-income urban areas is not that dissimilar from the market in general. Nearly half of the preschoolers are cared for by their mothers who are not working or attending school or training. Of those whose mothers are working, attending school, or in a training program:

- 5 to 10 percent of preschoolers are cared for by their mothers who work at home or take their children to the workplace
- 15 to 20 percent of the children are cared for by their fathers
- 20 to 25 percent of the children are cared for by other relatives
- About 25 percent of the children are cared for in nonrelative family day care
- And, 20 to 25 percent are cared for in centers

In these low-income areas, we found that the centers in all three cities were operating near capacity (92 percent), which is consistent with the overall perception of a shortage of center-based care despite the significant increase in the number of child care centers nationally. Of particular note is the fact that less than 15 percent of the limited number of center vacancies that were available could be used for infants.

In contrast to the situation in the centers, we found the supply of family day care to be plentiful. Together, the family day care providers in these cities reported being willing and able to care for nearly twice as many children as they were currently caring for. However, of extreme importance is the fact that less than 5 percent of the excess capacity in family day care settings is reportedly available for infants. Furthermore, we found that about one-third of the family day care providers offer only part-time care.

Cost of Care

The cost of care in these areas is similar to the national cost estimates—$50 to $60 per week for full-time care, with infant care costing substantially more that the average (up to $150 a week). Like families nationally, among all families in our sample who used paid child care for preschool-age children, an average of 10 percent of family income and 25 percent of the mother's income is spent on child care. The cost of care is only slightly less for low-income families than for other families, resulting in child care consuming significantly higher shares of the income of low-income families (20 percent of family income and 30 percent of the mother's income).

Quality of Care

We found that, in general, the centers and family day care providers met the state guidelines with respect to child-staff ratios and group size. That is to say, they have child-staff ratios that range between 4:1 and 6:1 range, depending on the ages of the children, and group sizes for the centers that average around 15 (and less for the infants). However, it is notable that over 90 percent of the family day care providers in the three cities we studied were unregulated and, thus, have no public oversight to ensure the health and safety of nearly half of the children who are in nonrelative care (14 percent of all preschool-age children).

To the extent that we are concerned with ensuring that the child care settings of poor children are enriching and will in part compensate for the poverty background, it is notable that, on average, family day care providers have relatively low levels of education, and significantly lower levels of education than is the case for child care center staff. Forty percent of the family day care workers have less than a high school diploma, compared with less than 10 percent of the working mothers and virtually none of the child care center staff, virtually all of whom had a CDA certificate or a college degree.

Other qualities of the available child care that are noteworthy when assessing the adequacy of the supply include the schedule of care and its reliability. As noted before, a third of the family day care providers provide only part-time care, and while virtually all centers provide full-day care, they do not offer extended day, evening, or week-end care. Thus, each type of care imposes some limits on the work schedules of the parents.

Child care centers are generally very reliable and open virtually all year. However, almost none care for sick children. In contrast, over half of the family day care providers will care for sick children, but they themselves are often unavailable due to their own illnesses or due to other personal reasons.

WHAT ARE THE PROBLEMS WITH THE CHILD CARE MARKET FACED BY LOW INCOME PARENTS?

In our examination of the child care markets in these low-income areas, we identified several problems that warrant public response, if we are to be responsive to the child care needs of parents, children, and employers. In our assessment of the market, we asked several questions: (1) Do we really have enough child care to meet the needs of parents? (2) Is the supply of care really adequate to meet the *desires* of parents? (3) Is the quality of care at a socially desirable level? and (4) Does the market work effectively to match parents with their desired type of care?

Is the Supply of Care Adequate to Care for All Children in Need of Care?

Virtually all preschool age children of working mothers are being cared for. Furthermore, we found that family day care providers in our survey indicated a willingness to care for about twice as many children as they were caring for currently care. Forty (40) percent of all mothers and nearly 60 percent of the low-income mothers in our sample who were not already employed reported that they would work if adequate and affordable child care were available to them. They defined affordable care as care costing an average of $50 to $60 per week—roughly local market costs. Thus, in these cities, the current level of unused supply is adequate to accommodate all of the children whose nonworking mothers indicated a desire to work, assuming the unused supply meets the parents' needs along dimensions other than cost and the providers are not overly selective in children they will care for.

By any measure, however, there is a shortage of openings for infant care, as many of those who indicated a willingness to enter the workforce had young children, yet neither the centers nor the family day care providers reported any significant capacity to care for additional infants.

Does the Supply of Care Meet Parents' Desires?

The majority of the employed mothers of preschool-age children reported having care with which they were satisfied.

- 30 percent of all mothers and 35 percent of the low income mothers indicated that they would prefer a different care arrangement. Contrary to our expectations, cost was not the major reason for wanting to change arrangements. Only 10 percent of those wanting to change their arrangements (3 percent of all mothers) indicated that cost was a factor.
- The majority of the mothers who wanted to change their care arrangements wanted to do so in order that their children would learn more, and consistent with this fact, most wanted to change from relative or family day care to center-based care.

This preference for center care was strongest among low-income parents. In part, this may reflect the fact that, as has been reported in other surveys, low-income mothers find relative care to be the least reliable form of care (Sonnenstein and Wolf, 1988). At the outer limit, if all who desired to change could change to their preferred form of care, the demand for center-based care would increase by about 10 percent, as would the demand for all other forms of nonparental care, combined.

Is the Quality of Care Optimal? Adequate?

Our survey results point to a number of areas of concern related to the quality of care received. First, less than 6 percent of the children of low income working parents in these cities participate in Head Start, which is the major compensatory intervention program for preschool-age children. Furthermore, the majority of children of working parents, including low-income children, are cared for by relatives or in family day care settings, by adults with little if any formal training in early childhood education and child development. While this may not be particularly limiting for children from nondisadvantaged backgrounds and may not be harmful to children from low-income families, it does point to the potential for substantial lost opportunities for early intervention to promote improved long-range outcomes.

Does the Market Work Effectively to Match Parents to Child Care Providers?

Some of the perceived shortages of care and some of the unhappiness with existing arrangements could clearly be addressed through improved market information.

The child care market works very informally, both from the providers' and from the consumers' perspectives.

- Most parents find their providers through recommendations of friends and relatives.
- Only about half of the mothers in our survey reported that they shopped for care—that is visited more than one provider before making a selection.

Parents reported that their selection criteria were, in order, quality (35–40 percent), location (25–30 percent), and cost (20 percent). However, there is little formal way for parents to find out about their child care options or to assess them in advance of placing their child with a provider. Family day care providers, in particular, are very passive about marketing their services, with most taking no action to fill vacancies. The child care centers are better about information dissemination, but their efforts are still limited. Thus, improving information about the location and services of child care providers could reduce substantially the perceived shortages of care and could facilitate parents efforts to select care that meets their needs and preferences.

PECIAL NEEDS AND CONCERNS OF LOW-INCOME FAMILIES

There are several concerns that are particularly relevant for low-income parents and their child care options. The first is obviously the cost of care. Child care consumes an average of about 20 percent of the family income among low-income families using paid child care and it consumes an average of 30 percent of these mothers' incomes. In our surveys, we found instances of child care consuming as much as half of family income. (Even among welfare recipients who are working, about one third pay for that care themselves.) Although there are subsidies available in the form of tax credits and social service block grants, the child care options of low-income parents are necessarily restricted by cost considerations.

A second factor is that many low-wage jobs involve nonstandard schedules, which imply that family day care is the only option available to single parent families, as well as to many two-parent families. A third concern is that proportionately more low-income parents work part-time (two-thirds versus one third of all working mothers). By itself, part-time work tends to restrict child care options to family day care, since most centers are full day programs. However, for those who may prefer family day care, it may also be partly an outcome of the child care choice, since many family day care providers offer only part day care.

RECOMMENDATIONS

The long-run options for addressing our nations child care needs are many and, if we are to meet fully the needs of parents and children, the costs will be high. Nonetheless, there are several policy options, modest in cost, that could significantly improve the operation of the child care market and its responsiveness to the needs of families:

- Increase the financial subsidies available to low-income families through such policies as a refundable child care tax credit.

Recent estimates by the Urban Institute, for example, suggest that making the current child care tax credit refundable would significantly increase the transfer of child care subsidies to low-income families—particularly single parent families, one-third of whom would benefit (Barnes, 1988). Such policies can, at relatively modest costs, reduce the average cost of child care for low-income families to nearer 15 percent of family income, rather than the current 20 percent.

- Invest in improving the organization and coordination of the market, for example, through support for information and referral networks.

Investment in resource coordination could improve significantly both the child care utilization rates among current providers and could improve parental satisfaction with their child care by facilitating initial selections and changes. Such investment is also essential to the success of the Family Support Act. Without better mechanisms for identifying child care options available to parents of pre-schoolers, there is little likelihood that the JOBS program will succeed in enrolling significant numbers of parents of young children.

- Provide resources and support for provider training, including training for family day care providers.

If we are to take full advantage of the opportunities presented by the JOBS program in terms of breaking the cycle of poverty, we need to be concerned with the quality of the child care that is provided to the children of JOBS participants. Since most of these children will be in relative care and in family day care settings, it is important that we focus attention on the quality of that care, which encompasses issues of training of the caregiver as well as stability of the caregiver. Both of these issues could be addressed through resource and referral systems, as well as through more targeted training efforts.

- Promote the development of more center based and family day care for infants.

One approach to reducing long-term welfare dependency is to keep adolescent parents in school and generally to facilitate the employment of all mothers who want to work. One obstacle to employment for mothers with infants is the lack of a sufficient number of infant care positions. Of particular note for this committee is the fact that without the stimulation of additional infant care options, it may be difficult to achieve the intended level of school participation by adolescent parents that is mandated under the Family Support Act.

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PREPARED STATEMENT OF GERALD W. MCENTEE

Mr. Chairman and members of the Committee, my name is Gerald W. McEntee, President of the American Federation of State, County and Municipal Employees (AFSCME). I am also an International Vice President of the AFL-CIO and Chairman of a committee of the AFL-CIO Executive Council that was established last February on "The Needs of the Working Family."

I want to thank you for the opportunity to testify on behalf of AFSCME's 1.2 million members and the millions of members of the affiliates of the AFL-CIO on a vital issue of concern to working parents—access to quality and affordable care for their young children when they work outside the home.

Over the last several decades we have witnessed a dramatic rise in the demand for high quality, affordable child care in this country as more and more women with children began working outside the home. You've heard the statistics before. Since the mid 1960's, the number of women working has more than doubled. More than half of all married mothers with infants under the age of one are now in the workforce. Two out of three working women are either the sole support for their families or have husbands whose annual salary is less than $15,000. And by the mid 1990's, two-thirds of women with preschool children and three-quarters with school age children will be employed.

AFSCME's membership reflects these profound changes in the American workforce. Half of our 1.2 million members are women. About 40 percent of our women members have children under 18 and over one quarter have children under twelve.

The need and demand for an adequate child care system in this country is clear. And we must begin to do something about it.

Last fall, Peter Hart and Linda DuVal conducted a post-election survey of over 1,000 registered voters for AFSCME. The results of that survey showed that a majority of all voters—54 percent—say that federal programs to provide funding *assistance for working parents* and to establish standards for child care is an important investment that should be started *now.* In addition, more than one third of all voting Americans—37 percent—would be willing to pay more in taxes for this investment. For those voters aged 18 to 34, the group most likely to have young children, over half said they would support having their taxes raised to improve child care.

A survey just released by Louis Harris and Associates also indicates national support for federal involvement in child care. Thirty-eight percent of those surveyed thought the child care system was working "not very well" or "not well at all." Ninety-seven percent of the parents surveyed cited the quality of child care as a key concern. According to the poll, poor parents are not only concerned about the quality of child care, but tend to pay as much as wealthy families for quality child care.

The need for quality, affordable child care is pervasive throughout the country. The demand is tremendous. The question before us today, is what should the federal government do to best meet the needs and demands of our working parents and their children?

To be successful, any federal child care initiative must address the three issues of availability, affordability and quality. There is simply not enough child care to meet the critical demand of working parents. In addition to the short supply, the child care that is available is prohibitively expensive and cannot be afforded by many, if not most, working families. And finally, there is the issue of quality. Because of the high cost and lack of quality child care, many parents are forced to choose between working or providing their children with poor quality care.

This committee is currently considering a number of tax credit proposals designed to ease the burden on poor and lower-income working families. I want to be clear that AFSCME supports expansion of the Earned Income and Dependent Care Tax Credits. We need to look. carefully at each of the proposals before you and determine which best serves the working poor in our country. We stand ready to work with you to develop and support a viable tax credit package. Let us look at the major proposals before the committee.

AFSCME believes an expanded earned income tax credit (EITC) as in S. 364, would greatly benefit the working poor. By increasing the EITC through adjustments for family size and restructuring the dependent care credit, as well as making it refundable, S. 364 would help ease the financial burden on low income families. But the legislation does not address the critical issues of quality and supply of child care.

S. 412 would also make the dependent care tax credit refundable. In addition, it would increase the funding for Title XX. Once again, however, the important issues of child care supply and quality are not addressed in this legislation.

Finally, the Bush proposal, S. 601/S. 602, would provide low-income families with some financial assistance for child care by creating a new $1,000 payment or tax credit for each child under four and making the dependent care tax credit refundable. By limiting the new credit to children under the age of four, millions of families with children age four and older who desperately need child care assistance would be denied any financial relief. School-age children need before and after school supervision; particularly, in urban areas where the influence of drugs and gangs can ruin a young person's life. The Bush proposal also fails to address the issues of the quality of child care or its supply.

Let me repeat that while AFSCME supports expansion of the EITC and Dependent Care Tax Credits, we do not consider these measures to be child care proposals. We would oppose any attempt to use tax credits as a substitute for comprehensive child care legislation.

We strongly supports S. 5, the Act for Better Child Care. The ABC bill is the only legislation being considered by the Senate that adequately addresses the three issues of affordability, availability and quality.

While expanded and refundable tax credits will provide some financial assistance to working parents seeking out-of-home child care, they will not provide much help when the demand for child care exceeds the supply by as much as three to one as it does in places like Seattle, Washington; Des Moines, Iowa; and Washtenaw County, Michigan. Nor will they protect families forced to use child care that is unlicensed and unsafe as in Fairfax County, Virginia where an unlicensed day care provider used poison to keep a child quiet.

Tax credits do not directly increase the supply of child care and they do not set standards needed to ensure that quality care is provided. Moreover, given the high cost of infant care—which exceeds $3,000 per child per year in most urban areas—low-income families cannot afford to pay for the cost of care out of their pockets. They need direct assistance and the tax credits provide little or no help in solving this problem.

With regard to child care availability, we must quickly expand our woefully inadequate child care infrastructure. We need to provide states with grants and loans to initiate and expand child care programs, to build new facilities and to recruit and train new family day care providers. The ABC bill will accomplish this. The various tax credit plans are simply not designed to address the supply problem.

On the issue of child care quality, we must ensure that all parents, no matter what their income, have access to care that promotes the healthy development and well-being of their children and does not place their lives in jeopardy. To do this, we must develop and enforce federal standards for care and require states and providers to meet these standards. We have set federal standards for nursing home care for seniors and the disabled. Our children deserve at least the same assurances of quality.

In addition, we must recognize that quality child care is highly dependent on the quality of the child care worker. We must raise the status of the child care profession by improving the compensation provided to child care workers. The recent report of the Task Force on Children of the National Governors Association states that steps must be taken "to increase salaries in the child care industry. Salaries for child care workers are notoriously and artificially low, resulting in very high turnover, which is detrimental to the stability of the centers and the children."

Current salaries for child care workers are abysmally low, and few workers receive fringe benefits. Even in New York State, child care workers are dramatically underpaid. Outside of New York City, the average annual salary for a head child care teacher in New York is less than $12,000. An assistant averages under $9,000.

In order to raise the compensation of child care workers to attract qualified people and reduce turnover, we should require states to encourage adequate salaries and use federal funds to help address this problem. In addition, we should mandate that child care workers receive a minimum number of hours of inservice training each year.

The ABC bill addresses quality of care through standards, requiring staff training and encouraging increases in worker salaries. Again, tax credits do not address these issues.

In conclusion, finding quality and affordable child care is one of the most important problems facing working families in America. Financial assistance through tax credits, by itself, simply does not solve this problem for most low and middle income families. We need comprehensive legislation that not only includes funds to assist families in paying their child care expenses, but also increases the supply of child care facilities and ensures that quality care is provided.

The ABC bill is the only legislation before the Senate that accomplishes these purposes.

I want to thank the Committee for this opportunity to testify. I will be happy to answer any questions that the members of the Committee may have.

PREPARED STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN

The 101st Congress is awash in child care legislation; some 80 bills have been introduced, twenty of them in the Senate. Six distinguished Members of the Finance Committee have introduced bills and there are 14 bills pending before our Committee. This is as it should be, given that over 70% of all mothers are in the work force and over half of all mothers with preschoolers—including infants—are in the work force.

In the Finance Committee, we are of course primarily concerned with the Social Security Act and tax code provisions for child care. In our Family Support Act, Public Law 100-485, which amended Title IV of the Social Security Act, we included new federal funding for child care for welfare mothers engaged in work, training, and education programs. We also provided for 12 months of transitional child care for mothers who work their way off welfare.

In the original drafts of the Family Support Act, we included another provision for child care, a provision to make the existing dependent care tax credit refundable. Unfortunately, for cost reasons, we deleted that provision, along with a proposed adjustment of the Earned Income Tax Credit (EITC) by household size, prior to introducing the bill.

We deleted these provisions, but we did not forget them. Budget permitting, we should take steps to do both. I am pleased to have reintroduced in' this Congress, with the distinguished Ranking Republican of the Finance Committee, Senator Packwood, a fully refundable and more generous dependent care tax credit. Our bill, the Expanded Child Care Opportunities Act (ECCO), S. 412, is one of the bills before this Committee.

There is good news on this front. Our ECCO bill, to make the existing-law dependent care tax credit more generous for the lowest-income families and fully refundable, is a bipartisan effort. Our Democratic colleagues in the House Ways and Means Committee have introduced legislation that also includes a refundable—dependent care tax credit. The President has included in his child care package a provision to make the existing dependent care tax credit refundable.

I think it not too daring to say, Mr. Chairman, that we have consensus on at least this important provision. And make no mistake, it is important. Preliminary estimates by the Joint Tax Committee for 1990 show that the refundable tax credit in the ECCO bill would direct $2.2 billion to low-income working families with child care costs. Of that sum, $2 billion would go to families with adjusted gross incomes of less than $20,000. For a family with adjusted gross income of $10,000 or less per year, the maximum credit under the ECCO bill would be $960 for one child, $1,920 for two or more children. Under current law, such a family likely receives nothing, because it has no federal tax liability.

We have all heard much of the child-care needs of working middle-class parents. We will hear more about these real concerns today. These are families in which both parents have entered the labor force in order to maintain their standard of living. The availability, quality, and cost of child care weigh heavily on parents' minds. This is especially true of single parents who have no choice but to work.

How much more urgent then are the pressures on low-income working parents? Particularly the single mothers who struggle to escape welfare? Their situations are not much different than their middle-class counterparts. They have children they work, and they have child care costs. Yet under current law, we treat them very differently. Where their upper-income counterparts can qualify for a federal tax credit to help offset their child care costs, lower-income working parents are effectively denied this same credit. Their incomes are too low to have federal tax liability, so they cannot take advantage of the dependent care credit. In other words, those who need this help the most are denied it. Ironically, we compounded the problem with our 1986 tax reform legislation when we removed another six million low-income working households from the federal tax rolls.

At the very least, we ought to correct this inequity. And that is what the ECCO bill does. It will make the credit refundable. If a working parent has no federal tax liability, the value of the credit will be paid to the family in cash. If there is limited federal tax liability, the credit can be used to reduce that liability to zero and any remaining credit will be paid in cash.

Is a refundable and somewhat more generous dependent care tax credit the sole solution to problems of child care in this country? Probably not. Quality and availability of child care remain to be dealt with. Toward these ends, the ECCO bill also includes a modest increase in the Title Social Services Block Grant of $400 million to help states improve their child-care services. We may need additional measures, such as those included in the ABC bill. I am a cosponsor of ABC and I expect this bill will be fully debated when it comes to the floor of the Senate.

Nevertheless, I think we can at least agree that the ECCO bill will help many low-income working parents with their child care costs. It is a start and I urge colleagues to support this legislation.

Prepared Statement of Barbara Reisman

Thank you for the opportunity to testify today and for the efforts you are making to address an overwhelming problem facing America's working families: the lack of affordable, quality child care. My name is Barbara Reisman. I am the Executive Director of the Child Care Action Campaign (CCAC). CCAC is a coalition of leaders from government and industry, national organizations and universities, from labor, the media and women's groups. Since 1983, we have worked to initiate change that will build a comprehensive policy on child care and related work/family issues so that parents can work productively and improve their standard of living.

I want to focus first on the economic benefits of an increased investment of federal dollars in child care, and second on the relative impact of the use of tax credits versus a direct investment.

The Child Care Action Campaign supports the creation of a new child tax credit as well as expansions of the Dependent Care and Earned Income Tax Credits because they would increase the incomes of poor families. Women and children have been hardest hit by poverty; one out of five children is growing up poor. These tax credit proposals, combined with the Family Support Act, are important efforts to combat poverty and to encourage self-sufficiency. *At the same time, we believe that it is necessary to expand and increase the quality and availability of child care, and to make it more affordable for both low and moderate income families by expanding direct federal spending for child care.* Therefore, CCAC endorses the Act for Better

Child Care (5.5). These are complementary, not mutually exclusive, approaches, and we know that a combination of the two will have extensive public support.

CCAC looks forward to working with the President and the Congress to integrate these two complementary approaches into a policy which maximizes parental choice.

THE CHANGING MARKETPLACE

We are aware that any proposals to increase federal spending—whether they be in the form of direct expenditures or tax expenditures—need to be considered in the context of the growing federal deficit. Proposals to use federal dollars to expand and improve child care must also be considered in the context of the return such an investment produces for our economy as well as for our current and future labor force.

A number of recent studies and reports, including the Child Care Action Campaign's own *Child Care: The Bottom Line,* highlight the costs of the current patchwork system of child care. and the benefits of improving the child care delivery system.

Briefly, we expect an increased investment in *quality* child care to:

1. *Reduce welfare dependency and poverty by enabling mothers of young children to work, knowing that their children are well-cared for.*

Many mothers currently receiving public assistance would work if good child care were available. A 1986 study conducted by the National Social Science and Law Center in Washington State looked at the barriers to employment for single mothers on Aid to Families with Dependent Children. Nearly two-thirds of those surveyed cited child care difficulties as the biggest obstacle in looking for and keeping a job; more than three-quarters of the women who stopped looking for work cited child care problems as the reason.

The Family Support Act recognizes that mothers receiving public 2 assistance cannot become self-sufficient unless they get help to pay for child care. However, millions of poor families do not receive public assistance. The welfare reform law will also put a strain on existing state resources.

2. *Improve U.S. competitiveness by improving the productivity of working parents. Quality child care can reduce the stress and anxiety parents experience when they are worried about the quality of the child care arrangement, or, as is too often the case, when one of their multiple arrangements breaks down.*

Parents who are already in the labor force are concerned about the quality of the child care arrangements they are able to find and pay for. We cannot hope that child care will expand the labor pool unless the child care is of sufficient quality to enable parents to work with the confidence that their children are well-cared for.

A Fortune Magazine survey of 400 men and women with children younger than 12, published in February 1987, reported that 39% of those surveyed had come in late or left early in the past three months; 20% had done so three or more times. For 72% of those people, family related issues caused them to arrive late or leave early. Child care worries prevent parents from working as productively and efficiently as possible.

3. *Mitigate the effects of the labor shortage by attracting more mothers of young children into the labor force, or by enabling parents to work more hours.*

Child care draws new workers, many of whom are mothers, into the labor force. In a 1982 Census Bureau survey, 26% of mothers with children under the age of five who were not in the labor force said they would enter if they had access to "satisfactory" child care at a reasonable cost. Another 13% of employed mothers would work more hours if they had access to child care. Without good, affordable child care, we will be unable to attract women into the work force to fill those two out of three new jobs being created in the service sector.

Recruiters for such companies as Merck and Co. Inc. and International Business Machines (IBM) report that a growing number of jobseekers cite child care assistance or the direct provision of care as one of the reasons for targeting a firm as a potential place to work.

4. *Give young children the nurturing, social and educational experiences they need to succeed in school.*

Children's educational problems do not begin when they reach age six. In *Children in Need,* the Committee for Economic Development argues that it is less costly to society and to individuals to prevent early failure through efforts directed toward parents and children alike from prenatal care through age five.

But we can achieve these results only if we increase the supply of *quality* child care, whether it be family day care, center-based care, or care for school-aged children, and help low and moderate income families to pay for such care. Tax credits alone will not achieve these goals.

The elements of quality child care are well-known: provide a safe and stimulating environment; staff it with loving, trained providers who are paid enough to stick with the job; enable parents to be involved in the program; be sure that class sizes are appropriate and that there are enough caregivers to pay attention to each of the children.

In a recent survey of CCAC's National Advisory Panel of 525 state and community leaders from all 50 states as well as the District of Columbia and Puerto Rico, the Panel ranked quality as the area of greatest concern within the child care delivery system today. A vast majority (79%) of the Panel also believes that current child care programs are not of the quality they should be.

WILL TAX CREDITS WORK?

While CCAC supports a tax credit approach as a way to provide much-needed financial support to low-income families, tax credits are not the entire child care solution. The real problem is a substandard system of care. A tax code revision will only sustain this system.

Parents and non-parents agree that tax credits alone are not a sufficient response to the child care needs of our nation's families. Close to two out of three (64%) of the respondents to a recent Lou Harris poll—"The Philip Morris Companies Inc. Family Survey II: Child Care" reject the view that "a $750 tax credit, which a parent could use in any way to meet child care needs, will solve almost all child-care problems encountered by working mothers."

Respondents to this survey, a nationally representative sample, were decisive about the role the federal government should play:

- 85% of parents and non-parents are convinced that "the federal government should establish minimum regulatory standards necessary to ensure child care of an acceptable quality;"
- 85% also believe that "the federal government should give states financial incentives to meet minimum child care standards;"
- two-thirds of the respondents believe the "federal government should establish and pay for programs to set up child care centers to provide quality day care for children.

CCAC believes that proposals to expand existing tax credits are an insufficient response to the child care crisis because:

1. *The tax credits being proposed don't bridge the gap between what poor parents can pay and what quality child care costs.*

Quality care is expensive. The average price—$3,000 per year for *each* child—is beyond the reach of too many families, and especially of single mothers. Child care expenditures constitute a substantial proportion of the total income of American families who pay for care—approximately 10% overall, but as high as 20 to 26% among poor families. Even a $1,000 refundable credit leaves a family with a $2,000 tab.

Families who can't afford quality care make one of three decisions: they leave work or work fewer hours, and perhaps go on welfare; they leave their children in care that they worry about while they work, or in situations that are unstable at best; or they leave the child home alone. Each of these decisions has a public as well as a personal cost.

2. *Tax credits don't encourage or ensure quality care.*

Low income families want quality care for their children. A study of low income families, many of whom were on public assistance, by Mathematica Research found that low income families who used family members or other non-relative family care preferred center based care for its educational components. But such care was either not available or they couldn't afford it. Low income families are as concerned about the quality of care their children receive as they are about the cost of that care.

Tax credits would not only miss an opportunity, but shirk a responsibility. The Federal government can help establish good child care for low income families. The IRS cannot.

3. *Tax credits do not create more child care.*

Families have difficulty not only paying for quality care, but finding the quality they need. The supply of child care has expanded over the past decade, but there are serious shortages: of infant care, of care for children in rural areas, of care of sufficient quality to enable parents to work without distraction and children to develop to their full potential.

The history of federal involvement in child care in the past ten years can illuminate some of the problems with a demand side approach to this problem. Between 1976 and 1986, federal spending for child care, through the Dependent Care Tax Credit, has increased nearly 300% in real dollars. The Dependent Care Tax Credit now accounts for close to two-thirds of all federal spending on child are. Yet, the problems families have in finding and paying for quality child care continue to increase.

4. *Tax credits are not the most efficient or effective way to give money to meet the child care needs of low-income parents.*

Poor families usually have the least information about income tax benefits and so do not take advantage of them. In addition, many low income families work for companies that are not part of the tax withholding system and so cannot take advantage of forward funding of tax credits. For those who work for companies that are part of the tax withholding system, employers will not necessarily assume the "administrative burden" of making the tax credit refundable in paychecks.

RECOMMENDATIONS

The Child Care Action Campaign believes that, in addition to expanding tax credits to increase the income of poor families, the federal government must invest in improving the child care infrastructure. The Child Care Action Campaign has endorsed the Act for Better Child Care Services/ABC (S. 5) because it takes a comprehensive approach to improving the quality and expanding the supply of child care. The Federal government must invest in its future by not only helping parents pay for child care, but by creating more and better care:

1. *Raise the professional status and working conditions of child care providers.*

Trained child care professionals are essential to the quality of the system of delivery. Another major component of quality—consistency of care—is jeopardized by a turnover rate among child care providers that reaches 60% annually. The low pay and low status of child care providers makes it difficult to attract and retain trained and experienced providers, who are such an important part of quality child care programs. Child care providers, 98% of whom are women, are paid less than parking lot attendants. Most receive no benefits.

To redress these inequities, provider's salaries must be raised. Benefits, such as health insurance, workers' compensation and unemployment insurance must be provided.

2. *Improve caregiver training opportunities and requirements.*

Improving the training opportunities for providers is crucial as well. Programs should be established that will enable potential child care providers to get the training they need, and allow those already working in the field to continue to develop their professional skills.

3. *Implement minimum Federal standards and improve regulations.*

Child care standards currently vary from state to state. In some states, the regulations are consistent with what we know about quality. In others, they fail to guarantee even minimal levels of safety and health for the children in care. In Idaho, one caregiver is allowed to take care of up to twelve infants while in Kansas, a caregiver is allowed to care for a maximum of three babies. This is but one example of the vast differences in child care regulations among the states. Babies have the same needs for quality care, whether they live in Idaho, Kansas, Georgia, or California.

Moreover, employers interested in providing some form of child care benefit are bewildered by the wide variation in standards from state to state.

CONCLUSION

One final point: There is a lot of discussion about the importance of public/private partnerships. What we usually mean when we say this is that the private sector needs to be more involved in improving and sustaining the child care system. But employers are telling us, more and more frequently. that the child care infrastructure needs to be improved before they can make a meaningful investment in it.

Let us not mask the substandard level of quality and available care that exists in this country by addressing the child care crisis only through the tax code. Let us build, expand and improve the child care infrastructure by putting federal dollars to work. Tax credits are an important, but incomplete, contribution to solving the child care crisis.

The Child Care Action Campaign looks forward to working with the Administration and the Congress to create meaningful parental choice in child care through both a tax credit and direct investment approach.

Enclosures.

SUMMARY OF THE ACT FOR BETTER CHILD CARE SERVICES OF 1989

AUTHORIZATION OF APPROPRIATIONS: $2.5 billion is authorized for fiscal year 1990, with such sums as may be necessary for FYs 1991-1994. In addition, $100 million is authorized in FY 1990 only to fund the new Child Care Liability Risk Retention Fund.

FUNDS FOR DIRECT ASSISTANCE TO FAMILIES: States must allocate 70 percent of ABC funds to provide direct assistance to low-income working families on a sliding fee scale. Eligible children are those up to age 15 whose family income does not exceed 100 percent of state median income ($32,777 nationwide for a family of four); priority for funds is given to families of very low income. Parents have complete discretion to choose from a wide range of child care services, including nonprofit and for-profit child care centers, family day care homes, school-based care, and nonsectarian church-based care.

FUNDS TO IMPROVE THE QUALITY OF CHILD CARE: States may allocate 10 percent of funds for resource and referral programs; improvements in the states' licensing/inspection requirements; and health and safety training for child care workers. States may use existing R&R networks as long as referral services are available to families in all areas of the state. Within two years of enactment, all licensed providers shall have 40 hours of health and safety training every two years.

FUNDS TO INCREASE THE AVAILABILITY OF CHILD CARE: States may use 12 percent of funds for grants and loans to establish or expand child care programs; to recruit and train new family day care providers (including a revolving loan fund for improvements to providers' homes); to help communities establish after-school services and programs for sick or homeless children; and to assist businesses with child care programs through a new public-private partnership section.

MINIMUM NATIONAL STANDARDS FOR PROVIDERS RECEIVING PUBLIC FUNDS: As a condition of federal assistance, states must require only publicly-funded child care programs to comply with a limited set of minimum health and safety standards within 4 years after they are established (roughly 5 1/2 years after the date of enactment of the Act). The standards are based on those used by the U.S. Armed Forces and the national accreditation organizations. The standards will be developed by a National Advisory Committee composed of experts in the field, representatives of state and local government, and members of the business and religious communities. Any state may request a 1 year variance (with a one-year extension) if the state needs more time to comply with a particular standard in a particular area of the state.

FUNDS TO ESTABLISH LIABILITY RISK RETENTION GROUPS: The legislation authorizes $100 million in FY1990 for the establishment of Child Care Liability Risk Retention Groups to increase providers' access to affordable liability insurance through a shared risk pool system.

CHURCH-BASED CHILD CARE INCLUDED: Non-sectarian church-based child care is fully eligible for assistance under the bill. The church-state language is based on other federal social service legislation.

RELATIVE CARE ELIGIBLE FOR FUNDS: Relative care by grandparents, aunts, aunts and uncles is eligible for assistance provided such caregivers comply with state regulations, if any, governing such care.

MAJOR REVISIONS TO THE ACT FOR BETTER CHILD CARE SERVICES FOR THE 101ST CONGRESS

ALLOCATION OF ASSISTANCE:

PROVISION OF LEGISLATION	ABC/100th	ABC/101st
Direct Assistance to Families:	75%	70%
Provisions to Increase Supply:	15%	12%
Provisions to Increase Quality:		10%
State Administration:	10%	8%

NEW ACTIVITIES TO INCREASE CHILD CARE SUPPLY:

- New Child Care Public-Private Partnership Section to fund:
  1) New child care programs for businesses;
  2) Demo programs for communities and local employers;
  3) Business participation in R&R programs;
  4) Information and technical assistance for employers;
  5) Presidential award program for progressive employers.

- Grants and loans to family day care and nonprofit providers to establish and expand child care programs.

- State-based revolving loan funds for new family providers.

- Funds for the establishment and operation of after-school child care services, programs for sick and homeless kids and those which link elderly and children's services.

REVISIONS IN MINIMUM FEDERAL STANDARDS FOR PUBLICLY-FUNDED CARE:

- Change in composition of National Advisory Committee on Minimum Child Care Standards to increase input from states, localities, employers and religious organizations.

- Variance mechanism which permits a state to postpone its compliance with the minimum standard(s) for 1 or 2 years.

- Scope of national minimum standards bound by range of existing state standards. Additional comment period for national standard(s) which do not exist in states.

RELATIVE CARE ELIGIBLE FOR ABC ASSISTANCE:

- Grandparents, aunts, and uncles (18 or older) are eligible for reimbursement provided they comply with state regulations (if any) governing relative care.

CHILD CARE LIABILITY RISK RETENTION GROUPS:

- $100 million for state-based insurance risk pools.

ENHANCED STATE FLEXIBILITY:

- States have additional funds for quality and supply functions. They also have more flexibility to implement the R&R and training requirements. Also, see change in standards above.

THE ACT FOR BETTER CHILD CARE SERVICES OF 1989
PROVISIONS TO ENHANCE CHILD CARE QUALITY

ENHANCED PARENTAL CHOICE AND INVOLVEMENT: See attached summary.

MINIMUM NATIONAL STANDARDS: ABC would establish minimum national standards for center-based and family day care in a limited number of specific categories. For center-based care, the standards would be for overall group size, staff-child ratios, provider training and qualifications, health and safety, and parental involvement. These standards are based on those already in use by many states, the U.S. Armed Forces, the national child care accreditation organizations, American insurance companies and businesses. And study after study - including the National Day Care Study - have identified these standards as the key indicators of quality in early childhood programs; they are directly related to positive developmental outcomes in children. Using the established leverage of federal funds, the minimum national standards will create a floor of protection for all children, regardless of their geographic location.

ENFORCEMENT OF LICENSING AND REGULATORY REQUIREMENTS: States must use ABC funds to improve compliance with their licensing and regulatory requirements, including the inspection of facilities. Each year, participating states are required to make one unannounced visit of each child care center in the state and to visit 20 percent of all family day care homes.

TRAINING AND TECHNICAL ASSISTANCE FOR CHILD CARE PROVIDERS: ABC provides states with a large infusion of federal funds for the training of child care providers, a key determinant of program quality. Not later than two years after enactment, participating states must ensure that all licensed providers receive 40 hours of training every two years. Recruitment and training programs for new family providers will ensure that they have the necessary skills and facilities to conduct safe care in their homes.

RESOURCE AND REFERRAL PROGRAMS: ABC requires states to ensure that resource and referral programs are available to families in all geographic areas of the state. These R&R programs help parents locate care which meets their children's individual needs and help to educate them about what to look for in a quality child care program. R&R networks also serve a training function for providers, helping to increase their skills and their ability to serve the local community.

FUNDS TO INCREASE PROVIDER SALARIES AND TO PROVIDE SCHOLARSHIP ASSISTANCE: Study after study has found that the alarming turnover rate among child care providers affects the continuity of care so important to a quality child care program. The Department of Labor estimates the annual turnover rate among providers to be 35-60 percent and the average income of providers to be $12,000 or less. States could use ABC funds to increase provider salaries and to recruit new providers by establishing scholarship programs for low-income people.

THE ACT FOR BETTER CHILD CARE SERVICES OF 1989

MINIMUM NATIONAL STANDARDS FOR PROVIDERS WHO RECEIVE PUBLIC FUNDS

REVISED COMPOSITION OF NATIONAL ADVISORY COMMITTEE: The composition of the National Advisory Committee on Minimum Child Care Standards has been revised to include 1) a representative of the nation's governors; 2) a representative of the nation's state legislatures; 3) a representative of local governments; 4) a representative of business; 5) a representative of the nation's state insurance commissioners; and 6) a representative of religious institutions. As with the ABC bill in the 100th Congress, the Committee also includes parental representatives, pediatric specialists, and those involved in the provision of child care and resource and referral services. The appointment process for the Committee will be nonpartisan and the President will select the Chairman. These changes will help to ensure that the minimum standards are balanced and realistic, and address not only the health and safety needs of children but the ability of states and providers to comply with the minimum requirements.

INTRODUCTION OF A STATE VARIANCE PROCEDURE TO EXTEND COMPLIANCE TIMETABLE FOR STANDARDS: In general, states must comply with the minimum standards 4 years after they are established by the Secretary (roughly 5 1/2 years after the date of enactment). At that time, a Governor, in consultation with the state advisory committee, may request a variance from the Secretary for a particular standard in a particular geographic area of the state. The request will be accompanied by a statement by the Governor of the steps taken to implement the standards in the state within the 4 year time frame, and the specific justifications for the variance in the particular standard and area in question. The variance request will also be accompanied by a detailed plan outlining the additional resources and procedures which will be used to assure compliance with the standard(s) at the end of the variance period. A governor may request a variance for one year and may also request a one year extension. The Secretary will have final authority to grant the variance and the extension.

MINIMUM STANDARDS TO BE WITHIN BOUNDARIES OF EXISTING STATE STANDARDS: The National Advisory Committee may not recommend a standard in any category which is more or less rigorous than the most or least rigorous state standard for the same category in any of the states. For example, suppose Utah has the most rigorous state preservice training requirement in the nation - 20 hours. The Advisory Committee would be prohibited from recommending a national preservice training requirement of 21 hours. By the same token, suppose Connecticut has the least rigorous state preservice training requirement in the nation - 2 hours. The Committee would be prohibited from setting a 1 hour training requirement.

ADDITIONAL COMMENT PERIOD FOR NEW STANDARDS (IF ANY): If the National Advisory Committee recommends a standard in any category in which no state currently has a requirement, there will be an additional 30 day comment period before the Secretary may establish that standard.

EXAMPLES OF STATUTES WHICH REQUIRE STATE COMPLIANCE WITH FEDERAL STANDARDS

Head Start Act	HHS performance standards for educational, health and social services, and parental involvement.
Social Security Act - Medicaid	Federal nursing home standards in areas such as health and safety and patients rights.
Federal Water Pollution Control Act	States must adopt plans satisfactory to EPA with standards for water quality, waste disposal, and toxic substances control.
National School Lunch Act	Minimum nutritional guidelines and income limits for free or reduced price lunches.
Federal Aid Highway Act	States which have not imposed a minimum drinking age of 21 lose federal highway funds.
Occupational Safety and Health Act	Federal standards for toxic substances, protective equipment, fire hazards, noise pollution, etc.
Clean Air Act	States which do not develop plans meeting federal air standards lose federal funds.
Federal Food, Drug and Cosmetic Act	Advertising and labeling standards for food and drugs in interstate commerce.
Federal Aviation Administration	Standards to ensure the safe use of navigable air space, including airport construction, air traffic rules, pilot training and aircraft maintenance.

PARENTAL CHOICE AND INVOLVEMENT IN CHILD CARE
ABC vs. THE TAX CREDIT APPROACH

FACTORS AFFECTING PARENTAL CHOICE	ABC	TAX CREDIT
Funds go directly to families for all forms of care (including church-based)	YES	YES
Sets minimum national standards (incl. parental involvement) to help parents measure and improve program quality	YES	NO
Parents have right to help set child care standards and policies on national, state, and local levels	YES	NO
Providers must ensure unlimited parental access to children during the day	YES	NO
Provides funds to increase the supply and variety of care, thereby expanding parental options	YES	NO
Assures services for parents working odd-hours and for children with special needs	YES	NO
Can pay full cost of care for very low-income families	YES	NO
Provides funds for school-age children	YES	NO
Funds resource and referral programs to educate parents about child care options and choices.	YES	NO
Establishes consumer education programs on licensing and complaint procedures	YES	NO
Requires public hearings and opportunity for comments on services in each state	YES	NO
Requires states to record and make available substantiated parental complaints	YES	NO

The Following Members of The Alliance For Better Child Care Endorse The Act For Better Child Care as of January 23,1989

Amalgamated Clothing and Textile Workers Union
Amalgamated Transit Union
American Academy of Child and Adolescent Psychiatry
American Academy of Pediatrics
American Association for Marriage and Family Therapy
American Association of Classified School Employees
American Association of Psychiatric Services for Children
American Federation of Government Employees
American Federation of Labor and Congress of Industrial
    Organizations (AFL-CIO)
American Federation of State, County, and Municipal Employees, AFL-CIO
American Federation of Teachers, AFL-CIO
American Home Economics Association
American Orthopsychiatric Association, Inc.
American Postal Workers Union, AFL-CIO
American Psychological Association
Association for Regulatory Administration in Human Services
Association of Junior Leagues, Inc.
Bakery, Confectionery, and Tobacco Workers International Union
BPW/USA
Bread for the World
Camp Fire, Inc.
CATALYST
Center for Child and Family Studies of the Far West Lab
Center for Women Policy Studies
Child Care Action Campaign
Child Care Employees' Project
Child Care Nutrition Program Sponsors' Forum
Child Welfare League of America
Children's Defense Fund
The Children's Foundation
Church Women United
Christian Children's Fund, Inc.
Church of the Brethren
Citizen Action
Coalition of Black Trade Unionists
Coalition of Labor Union Women
Committee for Children
Communication Workers of America, AFL-CIO
Community Nutrition Institute
Council for Exceptional Children
Council of Chief State School Officers
Council of Jewish Federations
Department for Professional Employers AFL-CIO
Division for Early Childhood, Council for Exceptional Children
Elementary School Center
Epilepsy Foundation of America
Family Resource Coalition
Food Research Action Center
Future Homemakers of America
General Board of Church and Society of the United Methodist Church
General Board of Global Ministries of United Methodist Church
Gray Panthers
High/Scope Educational Research Foundation
Industrial Union Department, AFL-CIO
International Ladies Garment Workers' Union
International Union of Electronic, Electrical, Salaried,
    Machine and Furniture Workers, AFL-CIO
Lutheran Office for Government Affairs
NA'AMAT USA
National Association for the Education of Young Children
National Association of Commissions for Women
National Association of Letter Carriers
National Association of Social Workers
National Association of the State Directors of Child Development

National Association of Working Women - 9 to 5
National Black Caucus and Center on the Aged, Inc.
National Black Child Development Institute, Inc
National Coalition for Campus Child Care, Inc.
National Committee for the Prevention of Child Abuse
National Community Action Foundation
National Consumer League
National Council of Negro Women
National Council of the Churches of Christ, Child Advocacy Project
National Council on Family Relations
National Council on the Aging, Inc.
National Federation of Federal Employees
National Head Start Association
National Network of Runaway and Youth Services
National Puerto Rican Forum
National Women's Law Center
National Women's Political Caucus
The Newspaper Guild
Office and Professional Employees International Union
Parent Cooperative Preschools International
Parents Action Committee
Public Employee Department, AFL-CIO
Rainbow Coalition
Save the Children
School Age Child Care Project
Service Employees International Union, AFL-CIO
Society for Research in Child Development
Southern Association on Children Under Six
Union of American Hebrew Congregations
United Auto Workers
United Cerebral Palsy Association, Inc.
United Electrical Workers' Union
United Food and Commercial Workers International Union
United Steelworkers of America
Volunteers of America
Women's Legal Defense Fund
YWCA of the USA, National Board

COSPONSORS OF THE ACT FOR BETTER CHILD CARE SERVICES (S. 5)

DODD

Hatch
Kennedy
Mitchell
Mikulski
Chafee
D'Amato
Cranston
Hollings
Pell
Metzenbaum
Matsunaga
Simon
Harkin
Adams
Sanford
Reid
Bradley
Burdick
DeConcini
Moynihan
Riegle
Lautenberg
Daschle
Bingaman
Sarbanes
Biden
Rockefeller
Kerry (MA)
Leahy
Baucus
Sasser
Lieberman
Kerrey (NE)
Inouye
Bryan
Kohl
Wirth
Levin
Bumpers

MARTILLA AND KILEY POLL ON THE ACT FOR BETTER CHILD CARE SERVICES

(Martilla and Kiley, Inc., May 31-June 5, 1988. 901 registered voters nationwide, both Democrats and Republicans.)

QUESTION/ISSUE	YES	NO
GENERAL		
CHILD CARE AN IMPORTANT NATIONAL ISSUE:	86%	12%
Southern Voters:	90%	9%
Democrats:	93%	7%
Independents:	87%	12%
Female Voters:	90%	8%
CHILD CARE HARD TO FIND:	74%	17%
Southern Voters:	77%	14%
Democrats:	80%	12%
Independents:	75%	15%
Female Voters:	77%	15%
DEMAND EXCEEDS SUPPLY:	63%	21%
Southern Voters:	60%	19%
Democrats:	70%	17%
Independents:	65%	20%
Female Voters:	66%	18%
PARENTS WORK BECAUSE THEY MUST AND GOV'T SHOULD HELP THEM WITH CHILD CARE EXPENSES:	73%	22%
Southern Voters:	74%	21%
Democrats:	83%	14%
Independents:	75%	22%
Female Voters:	79%	18%
ABC BILL		
FAVOR $2.5 BILLION ABC BILL?	60%	32%
Southern Voters:	61%	28%
Democrats:	70%	20%
Independents:	60%	32%
Female Voters:	64%	28%
INVEST $2.5 BILLION IN LIGHT OF DEFICIT?	64%	32%
Southern Voters:	64%	29%
Democrats:	76%	21%
Independents:	64%	32%
Female Voters:	68%	27%
MINIMUM FEDERAL STANDARDS?	75%	22%
Southern Voters:	74%	23%
Democrats:	81%	17%
Independents:	78%	20%
Female Voters:	77%	20%
ABC vs. TAX CREDIT FOR ALL FAMILIES:	52%	34%
Southern Voters:	51%	37%
Democrats:	58%	28%
Independents:	54%	34%
Female Voters:	56%	30%
Non-working Parents:	60%	35%

SUMMARY OF DODD-KENNEDY AMENDMENT FOR ABC CHURCH-STATE LANGUAGE

BACKGROUND: The agreement described below revises the ABC bill's treatment of religious discrimination in employment and admissions for providers receiving ABC assistance. Also included is new language governing those situations in which more than 80 percent of a sectarian-based child care provider's operating budget is composed of public funds. The agreement leaves intact ABC's existing language governing sectarian purposes and activities [Section 19(a)], restrictions on the use of funds for instructional services [Section 19(b)], and the language tying ABC funds to the nation's civil rights statutes [Section 20(a)].

The basic effect of the agreement is to prohibit religious discrimination by all ABC-funded providers in both admissions and employment while permitting a limited form of preference to be exercised in certain situations based on an individual's pre-existing relationship with the organization which owns or operates the child care provider. Where 80 percent of a provider's operating budget is composed of public funds, no preference would apply due to the predominance of public funds.

Every religious and educational organization which participated in the negotiations endorses the new language and agrees not to seek further amendments to the bill in these areas (pending approval of Committee report language).

EIGHTY PERCENT PUBLIC FUNDS TRIGGERS HEAD START DISCRIMINATION LANGUAGE: If a child care program receiving ABC funds receives 80% or more of its operating budget from public sources, no religious discrimination on the basis of employment or admissions will be permitted. (Head Start language).

PROHIBITION ON EMPLOYMENT DISCRIMINATION: Nothing in this section shall be construed to modify or affect any Federal law relating to employment discrimination on the basis of religion.

Religious discrimination in employment prohibited if the employee's primary responsibility is working directly with children in the provision of child care services. If two or more individuals are qualified for any such position, nothing in this section shall prohibit a provider from hiring an individual who is already participating on a regular basis in other activities of the organization that owns or operates the provider. A "grandfather" provision is included for existing employees of the child care program.

PROHIBITION ON DISCRIMINATION IN ADMISSIONS: Religious discrimination in admissions by providers receiving ABC funds is prohibited. Nothing in this section shall prohibit a provider from selecting children for child care slots that are not funded directly with ABC assistance because they or their family members participate on a regular basis in other activities of the organization that owns or operates the provider.

RELIGIOUS AND EDUCATIONAL ORGANIZATIONS WHICH ENDORSE THE DODD-KENNEDY CHURCH-STATE AMENDMENT AND AGREE NOT TO SEEK FURTHER CHANGES TO THE AMENDED LANGUAGE

The United States Catholic Conference
The National Education Association
The National Parent-Teacher Association
The American Jewish Committee
The United Church of Christ
National Council of the Churches of Christ
The American Federation of Teachers
The National Council of Jewish Women
The Council of Chief State School Officers
The Council of the Great City Schools
B'nai B'rith Women
Council of Jewish Federations
The National School Boards Association
American Association of School Administrators
Union of American Hebrew Congregations
Church of the Brethren
The National Association of State Boards of Education
NA'AMAT USA
General Board of Church and Society of the United Methodist Church
General Board of Global Ministries of the United Methodist Church
Progressive National Baptist Convention - Women's Auxiliary
Women's Convention, Auxiliary to National Baptist Convention USA.
Ecumenical Child Care Project
Office of the Episcopal Church
Bread for the World

PREPARED STATEMENT OF SENATOR DONALD W. RIEGLE, JR.

I would like to thank the distinguished Chairman, Senator Bentsen, for holding this two-day hearing on child care.

A recent poll shows that 86% of voters consider child care to be an important national issue. The Finance Committee already has some eleven bills relating to child care before it. President Bush has indicated his strong interest in addressing the child care needs of the country. Clearly, there is a call for national leadership.

A number of states, localities, and private employers, from businesses to churches, have developed innovative ways to meet parents' needs, but overwhelming evidence suggests that the supply of safe, affordable care is not meeting the demand for it. This market failure requires that we act, not only for the well-being of our nation's families, but also for our country's competitive future. Children need a nurturing environment to be ready to learn and later to become productive workers. Moreover, parents who are not secure in the knowledge that their children are being properly cared for cannot be fully productive workers. with the reported shortage of skilled workers, we cannot afford to lose workers because they were unable to find safe and affordable care for their kids.

I believe that if we are serious about meeting the nation's child care needs, our approach must be a comprehensive one that addresses the present shortcomings of child care, namely, its affordability, availability, and quality. The Act for Better Child Care Services, the ABC bill, offers such a comprehensive approach. An approach that provides minimum federal standards upon which the states have great flexibility on which to build. I applaud my good friend from Connecticut, Senator Dodd, on his tireless efforts in crafting the package and am pleased to be an original cosponsor of the bill.

I am also a cosponsor of the bill offered by Senators Packwood and Moynihan. I view their bill as a complement to the ABC bill and not a substitute for it. My cosponsorship of it was primarily driven by its provision to make the dependent care tax credit refundable. I strongly believe that we should target available resources, whether they be directly appropriated or indirectly provided through the tax code, to the most needy. This change if coupled with expansion and improvement of the earned income tax credit should help the working poor to become self-sufficient.

To supplement any comprehensive effort on child care, I have introduced two related measures, S. 268 and S. 704. S. 268, a bill to amend the State Dependent Care Development Grants Act, strengthens the Latchkey program, a program that provides federal grants to the states to furnish funds for community groups and schools to establish or improve before and after school child care programs. Since the early 1980s, I have been deeply involved with the well-being of our nation's estimated two to six million latchkey children. Last year, we secured the highest level of funding in the history of the program, but the problem still remains. I look forward to working to improve this program and to make it more available to families across the nation.

I have also introduced S. 704, the Social Services Block Grant Restoration Act of 1989, which increases the authorization of Title XX by $200 million for each of the fiscal years 1990 through 1992 for block grants to states for social services. Presently, Title XX is the largest source of direct federal funding for state child care programs. Typically, 20 percent of Title XX funds are used for child care services.

Mr. Chairman, I would also like to indicate my strong interest in public-private partnerships in the provision of child care services. Last year, I introduced S. 1071, the Child Care Public-Private Partnership Act, which would have provided grants to non-profit agencies to establish a community child care fund. Not less than 50 percent of the funds would be contributed by private businesses. The funds could be used to help low-income parents pay for child care and to expand community child care programs.

PREPARED STATEMENT OF JOHN D. ROCKEFELLER IV

Mr. Chairman, I share your concern for our nation's children and I greatly admire the leadership you have shown in holding these very important hearings. It's obvious by the sheer number of bills that have been introduced this year and last that Congress is dead serious about grappling with the issue of how to help American families deal with day care.

The issue of day care is a very important and emotionally charged one. Yesterday, Mr. Chairman, I know this committee heard a wide range of opinions and recommendations on what the federal government should do to respond to the tremendous child care needs of the nation's working families. And I look forward to today's hearing which will provide us with additional insights and thoughts.

I was only able to spend a short period of time at yesterday's hearing, but I was immediately struck by the immense interest in and strong feelings, on both sides, on *how* the federal government should help American families. Because child care legislation would affect our most valuable resource—our children—I am glad that we are taking the time today to look closely and carefully at some of the child care proposals that have been introduced.

Many, many people care deeply about child care, and I am one of them. I am a cosponsor of the ABC bill and the Packwood-Moynihan tax credit bill. I think of variety of things can and should be done to help make child care affordable, to make sure children are properly cared for, and to ensure that even in rural Appalachia, parents have child care available to them.

In Kanawha County, one of the most urban counties in West Virginia, there are no day care centers that take care of children under the age of 3 months. Many women *must* go back to work after their 6-week maternity leave is over, and they are forced to rely on the unregulated, unlicensed, word-of-mouth of child care that takes place in private homes. This is too haphazard of a system on which to rely.

In my own state of West Virginia, 13 counties have no day care centers and 20 counties have only one center. Two-thirds of the working mothers in West Virginia are either the sole wage earners or are married to men making less than $15,000 a year. Finding *affordable* day care is practically impossible for these families.

In West Virginia, the number of day-care centers in the state has grown from 154 in 1986 to 172 in 1988. But the number of West Virginia women with children under the age 6 is growing at the annual rate of 12,000 a year. The supply of day care centers is not keeping up with the demand for child care in West Virginia. And I am sure this is not limited to West Virginia.

Economic reality is the driving force behind the decision of many women to enter the work force. Staying at home is a luxury most families can't afford. Given that we have a very, very limited pot of money to help families, we must be careful, whatever approach or combination of approaches we take, that we target the neediest families. We can't afford *not* to do this.

PREPARED STATEMENT OF SENATOR WILLIAM V. ROTH, JR.

Mr. Chairman, I am pleased that the Finance Committee is once again examining the important subject of child care. This session like last session, the Committee has before it a number of different proposals to address the growing need for affordable, quality child care. I intend shortly to add my own proposal to this group. Hopefully, the next two days of hearings will move us closer toward taking sensible action on child care.

I am delighted to point out that among today's distinguished witnesses are two from my home State of Delaware. Mr. Charles Hayward, Secretary of the Delaware Department of Services for Children, Youth and Their Families, is here on behalf of the American Public Welfare Association. And the Honorable Jane Maroney, the Chair of the Delaware House Committee on Human Resources, Children and Aging, is here to represent the National Conference of State Legislatures. Jane has been actively involved in family and children's issues for several years now. She is no stranger to Capitol Hill, having previously testified here regarding child care and child support enforcement. With nationally recognized spokespeople like Charles Hayward and Jane Maroney serving the state government in Delaware, it is not surprising that my home state has gained a reputation for being one of the more enlightened in its approach to child care.

Mr. Chairman, I firmly believe that each state governments not just Delaware's, is in a far better position than the federal government to determine how best to respond to the child care needs of its own communities. Therefore, any plan to expand federal assistance for child care should preserve state flexibility. The federal government can play a useful role by providing funds to states for child care without attempting to micro-manage their use of those funds, and without imposing new federal regulations.

As we weigh the merits of the comprehensive plans that have been proposed to improve the child care situation, we should not overlook innovative proposals on a smaller scale. This year, I will again propose that senior citizens working in child care be exempted from the Social Security earnings test. Such an exemption would enable older Americans who are interested in working with children to get involved without fear of losing their Social Security benefits. I hope my colleagues will be receptive to this and other innovative proposals.

There are important issues to be discussed in the next two days. With the proper approach, we can make significant progress toward helping American families meet their child care needs.

PREPARED STATEMENT OF DAVID RUSSO

Mr. Chairman and Members of the Committee, my name is David Russo, and I am Director of Human Resources for SAS Institute Inc. of Cary, North Carolina. I am here representing the American Society for Personnel Administration (ASPA). ASPA is the world's largest professional society devoted exclusively to excellence in human resource management. I am an active member in two local ASPA Chapters and currently serve on ASPA's National Training and Development Committee.

With over 40,000 members, ASPA represents individuals employed by companies which collectively employ more than 41 million people. ASPA members include managers from a cross section of American business—from large corporations to smaller family operations.

As Director of Human Resources for SAS Institute, I am responsible for the ongoing operations of our on-site child care facility. As a result, I have firsthand knowledge about what is involved, from a corporate perspective, in the planning, development, and operation of on-site child care. Although many people know of SAS Institute as "that place with the day care center, I would hate to leave here today without telling you that as well as supporting on-site child care we also develop, market and support some 16 computer software products that make up the SAS System.

When I was hired by SAS Institute in 1981, the Institute was a five-year old company with 70 employees. However, it was also a young company where top management was receptive to innovative ideas conducive to a good work environment. Since that time, we have grown to more than 1200 employees at our company headquarters and have established regional offices' in the U.S. and Canada, as well as 16 subsidiaries throughout the world. With the complete support of our company President, Dr. James H. Goodnight, and without federal mandates, we've been able to create a working environment that is seen as a model for company commitment to employees.

To meet the growing needs of employees for quality, affordable day care, in 1981 SAS Institute established an on-site, company-paid child care center with eight children. In 1982 we opened our first 5000 square foot building for 60 children and 15 caregivers. In 1985, we opened our second facility, a 16,000 square foot building, capable of housing 140 children from two to 5 years of age. The original facility now houses our infant classes, which are children 6 weeks to 12 months, and some of our toddler classes, 1–2 years old. This year we will be constructing an additional child care facility of 24,000 square feet to meet our present and future child care needs. Our Centers are the only company-sponsored Montessori child care center in the nation.

We believe that commitment to employees is vital to recruitment and retention of staff. In North Carolina, we operate in an area of very low unemployment—only 3%, which, as you know, can often increase turnover for an employer. Yet turnover rates at the Institute were less than 6.4% in 1988, well below the accepted computer industry range which averages 12 to 18%. We believe that the center has given us the opportunity to demonstrate to other businesses, by example, that proactive employee and family support programs positively affect profitability.

I would be the first to recognize, however, that what may work for one company may not work for another. Competitive conditions vary. Product lines are different. I believe that each company must address the child care issue as it sees appropriate, investigating all available options and choosing what will work best for them. At SAS Institute, we decided that a commitment to on-site child was in our best interest. On-site child care is a workable alternative, yielding company and employee benefits.

ASPA is proud to have been a forerunner in the business community in articulating positions supportive of legislative action in the child care area. As early as January of 1988 the ASPA Board of Directors approved principles with regard to supporting federal legislation. (Enclosure I).

ASPA's involvement in this area has also included nationwide seminars for our members on "The Child Care Challenge: Options for Business" over the past two years, designed to equip employers to design and implement effective child care' programs. Additionally, we pilot tested the Department of Labor's Work and Family clearinghouse on progressive programs and policies with our members.

ASPA also conducted a 1988 survey of our membership, "Employers and Child Care: The Human Resource Professional's View" to ascertain their needs. I have attached an executive summary for your convenience (Enclosure II). I believe the results would be helpful to this Committee in your deliberations on this issue.

The ASPA survey made' the case for *tax credits for employers establishing child care facilities* (or other work-family programs)—it found that 77% of the human resource practitioners cited expense as a major obstacle to their employer being involved in child care.

Additionally, the survey revealed that 76% of the respondents viewed liability as a major obstacle to employers' ability to offer child care. Accordingly, ASAP supports *reform in tort law relating to child care providers.* This would reduce liability barriers to business participation in child care. Likewise, we support funding to assist states in establishing liability insurance risk pools for child care providers. This would ease the existing difficulty for businesses in obtaining liability insurance.

In light of our concerns with liability and costs, we also support *grants to small businesses which participate in a single child care facility or program.* Such legislation will foster community resource coordination and cooperation as small organizations work together to address the work and family needs of their employees.

Employers have voluntarily begun to support programs to help parents deal with the care of children before and after school and while they are sick. ASPA supports grants for these types of programs which would encourage such creative efforts.

ASPA also believes that elder-tot programs should be encouraged by exempting income earned from child care from consideration under the Social Security earnings test for elderly recipients. Although the elderly are some of the most reliable and capable child care providers, they are often discouraged from providing child care because the extra income would cause their social security benefits to be reduced. By removing this barrier, one of the largest available pools of child care workers could be tapped. In addition to addressing the shortage of child care providers this provision would also encourage valuable interactions between generations.

ASPA's child care survey also found that the primary reason that employers may not implemented various work and family programs and policies is because they have not yet considered them. Therefore, ASPA *supports legislative provisions which foster information programs and encourage voluntary business participation in child care programs.*

For example, ASPA *supports a President's award program for employer practices.* This would be low cost, easily implemented, and will accelerate the implementation of creative policies. Also, ASPA is concerned that the welfare reform bill which was signed in to law on October 13, 1988 and effective January 1, 1989, contains a provision which will negatively affect dependent care assistance programs and tax credits. This law should be repealed and other similar initiatives carefully reviewed because they are inconsistent with Congress' stated concern with child care.

We look forward to continued discussions over the appropriate government role in child care and hope that you will turn to us for Human resource expertise as the Congress continues to examine this important and complex issue.

This concludes my statement. I would be pleased to answer any questions from members of the Committee.

ENCLOSURE I

CHILD CARE POSITION STATEMENT

The American Society for Personnel Administration supports efforts intended to increase the availability and affordability of quality child care services through tax incentives and programs which provide for maximum local control. ASPA believes that federal legislation addressing the child care issue should create incentives for providing quality child care but should not create a federal entitlement or impose unnecessary federal standards in an area best left to local control.

(Approved by the ASPA Board of Directors in January 1988.)

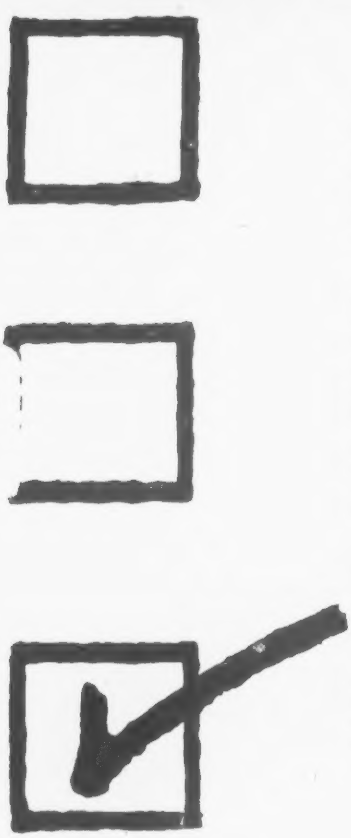
ENCLOSURE II —

EMPLOYERS and CHILD CARE

The Human Resource Professional's View

1988 Child Care Survey Report of the American Society for Personnel Administration

EXECUTIVE SUMMARY



The American Society for Personnel Administration (ASPA) has conducted the first national study of its members' views on the subject of child care. In March, 1988 a random sample of 5,554 human resource professionals was selected from the ASPA membership, and 1511 usable responses were received (response rate - 27 percent).

This survey not only addressed the present level of member interest, awareness and involvement in child care, but also inquired about specific services their employers are considering or have implemented. Another important goal of the survey was to examine the perceived obstacles to their employer's involvement in child care, as well as to uncover member opinions about related legislative initiatives.

Survey Sample Demographics

Company size is an important demographic variable in this study. The size of an organization relates closely to knowledge of and activity in child care. Because of this, many responses were analyzed using data grouped by company size.

Almost 40 percent of the respondents were from companies of small to medium size (100-500 employees), 25 percent were from medium to large companies (501-1500 employees) and 25 percent were from large companies (more than 1500 employees). Twelve percent of the sample were from companies with less than 100 employees.

Manufacturing was the industry category in which the largest percentage of the sample was employed (45%). Finance, insurance, and real estate was the next largest industry category represented (14%), followed by the services category (7%). The geographic regions most heavily represented were the midwest (29%), northeast (23%) and southeast (16%).

Slightly less than half of the survey respondents held the title of Director or above (45%). The other half consisted primarily of Managers (36%) or Administrator/Specialists (14%).

SURVEY FINDINGS

Section A

Current Involvement in Child Care

While half the respondents surveyed state their company is not yet involved in child care, the other half have some level of involvement. The majority of these are in the process of exploration, ranging from researching the issues to investigating employees' child care needs. Ten percent of the sample currently provide some type of child care support or service (see Figure 1).

Regardless of company size, three percent of the respondents believe their companies are very adequately meeting the child care needs of their employees and 16 percent say they are adequately doing so. This leaves the majority who state they are either less than adequately fulfilling their employees' child care needs (57%) or are unsure about it (24%).

Adequacy of Employer Information on Selected Child Care Issues

As Figure 2 displays, there appears to be a general need for more employer information on child care and greater knowledge about employees' child care needs. Respondents were most informed about the tax advantages for employees choosing child care through a flexible benefit/savings plan, although large companies were more likely to have this information. Approximately half of all respondents state their companies are informed on proposed federal legislation.

Companies need more information on the costs of providing child care. As later data reveal, employers perceive cost as one of the biggest obstacles to becoming more involved in child care. Up to 77 percent of those from small organizations state they are not informed on cost, with those from larger organizations somewhat more informed. However, even for these, half report they are not adequately informed.

Regardless of company size, the majority of respondents state they do not have a current assessment of their employees' child care needs. Almost 80 percent report they are not up-to-date or are unsure if they are up-to-date in assessing their employees' needs.

Section B

Employer Activities in Child Care Support and Services

More than one approach can be taken to assist employees with their child care needs. Respondents were asked to describe their company's choice of initiatives which were categorized as the following: 1) Financial Assistance, 2) Information Services, 3) Company Owned/Sponsored Child Care Services, 4) Alternative Work Schedules, and 5) Family Leave Options.

Financial Assistance

The two financial assistance methods which are most popular include flexible benefit plans with a child care option, and Section 125 savings plans. One out of two companies in the sample have considered, are currently considering, or have implemented one or both of these benefits. Although larger establishments are more likely to be providing or considering these plans, small companies are considering these benefits as well.

		COMPANY SIZE				
Level of Involvement in Child Care	All Companies (n=1511)	Less than 100 employees (n=178)	101-500 (n=640)	501-1000 (n=347)	1001-5000 (n=[illegible])	5000 plus employees (n=[illegible])
Preliminarily exploring issues	25%	16%	23%	32%	26%	36%
Researching employees' child care needs	10	6	6	13	12	20
Currently choosing child care service	4	1	2	4	10	7
Currently providing child care service	10	2	6	14	15	16
Expanding/Revising child care service	4	0	1	3	10	12
Not currently involved in child care	53	71	63	42	36	31
Other	5	6	4	7	7	5

*NOTE: Percentages may not equal 100 because more than one response may be checked.

	ALL COMPANIES (n=1511)		
Is Your Company Informed on the Following Topics?	Yes	No	Unsure
Tax advantages for employees choosing child care through flexible benefit plan	60%	27%	13%
Proposed Federal legislation on child care issues	51	29	20
Tax advantages for employers who provide child care	43	35	22
Research on effects of child care on productivity, absenteeism, etc.	38	44	18
Employer costs of providing child care services	33	46	21
Current assessment of employees' child care needs	21	63	16

Information Services

One out of three companies either have an information/referral service or are considering it. These services, where companies gather and disseminate information on available child care in the community, are most frequently reported by respondents from larger companies. Counseling services which help working parents cope with family stresses are also in place or being considered by more than one half of the larger organizations.

Company Owned/Sponsored Child-Care Services

Activities such as employer-sponsored child care centers, centers provided by contractors, and child care consortiums are found in few companies. Currently, five percent of all companies surveyed offer an employer owned/sponsored child care center. The consideration and provision of a child care center directly relates to company size. About half of the larger companies (more than 1500 employees) have at least explored the possiblity of an employer owned/sponsored center.

Other types of child care services such as employer contributions to after school programs, telephone "hot-lines" and nursing services for sick children have not yet been investigated by the majority of companies. This holds true regardless of organizational size.

Alternative Work Schedules

Work policies which may help accommodate parental needs include flextime, part-time work options, job sharing, work-at-home programs, and special summer or holiday hours. Based on this survey, the options which employers appear most likely to provide include alternative schedules, especially part-time work, and flextime to assist with employees' child care needs. One out of two companies have part-time work available, and over one-third have flextime arrangements. Although there is still a positive relationship between provision of these options and company size, a significant number of small companies offer these alternatives to their employees.

Family Leave Options

Respondents were asked to describe what types of leave opportunities their company currently provides to parents. As Figure 3 reports, pregnancy disability is the type of leave offered most frequently by employers. This is leave granted for pregnancy which ends after the woman give birth and the doctor allows her to return to work. If the company has a disability policy, then, by law, they must include pregnancy as a disability. Paid pregnancy disability leave is offered by more than two thirds of the sample.

Maternity leave was defined as leave given the mother to be with her child, even though she is healthy and able to work. Ten percent of all companies report they offer paid maternity leave. This is fairly consistent across company size, with a range of seven to 13 percent. Unpaid maternity leave is offered by 44 percent of all companies. Forty five companies (3%) offer paid parternity leave, with unpaid paternity leave offered by 19 percent.

Almost all companies (95%) which offer paid pregnancy disability leave do so for longer than four weeks. Half of these offer paid leave for more than eight weeks. Small companies were less likely than larger companies to offer paid leave for longer than eight weeks.

The majority of companies

FIGURE

Type of Family Leave Options

	ALL COMPANIES (n = 1511)
Pregnancy Disability Leave	
Paid Disability	68%
Unpaid Disability	41
Partially Paid Disability	23
Maternity Leave	
Paid Maternity	10
Leave charged to vacation, sick, or other leave	15
Unpaid Maternity	44
Part-Time Return	17
Flexible time off	9
Paternity Leave	
Paid Paternity	3
Unpaid Paternity	19
Paid leave charged to vacation, sick, or other leave	21
Temporary Part-Time	2
Flexible Time Off	5

which provide paid maternity leave offer it for five to eight weeks (59%). Another 32 percent offer this leave for more than eight weeks. Unpaid maternity leave is offered by most companies for more than eight weeks (63%).

Thirty of the 45 companies which provide paid paternity leave reported a specific time period. Of those 30, sixty percent offer it for less than four weeks. However, unpaid paternity leave is available for more than eight weeks by the majority (65%) of the 246 companies who offer it.

Section C

Potential Obstacles to Employer Involvement in Child Care

The intent of this section was to learn what the respondents believe to be obstacles to their company's involvement in child care. Potential obstacles were listed and the respondents were asked to circle the appropriate number on a scale ranging from 1 (not an obstacle) to 5 (major obstacle). Cost and liability issues, concern over equity of employee benefits, employer's familiarity with child care options, commitment from top management and company involvement in family matters were some of the topics addressed.

The survey found all companies are especially concerned with expense and liability insurance. Respondents generally are familiar with the child care options available to them, although the complexity of a child care system is an obstacle for many. Lack of commitment from top management was cited as a major obstacle by about half of all companies, and the lack of research evidence into the long term benefits of providing child care was also a major concern.

Section D

Employer Perceptions of Child Care Legislation

Because of the increased interest of Congress in child care, and the numerous related legislative proposals, a section was included in the survey to examine respondent's opinions on certain legislative initiatives. Specifically, questions were asked regarding funding responsibilities, incentives for increased employer involvement in child care, and legislation mandating certain entitlements.

Survey respondents hold strong opinions about who is responsible for child care. Most agree that the funding of child care is not primarily the responsibility of the employer or the government, but the employee. However, there is mixed reaction about whether the funding of child care services should be shared between the government, employer and employee.

Most respondents do not advocate government control over child care issues. For example, 83 percent disagree with mandated paid parental leave, and 69 percent disagree with mandated unpaid parental leave. Most also do not agree with legislation which gives pregnancy disability preferential treatment over other disabilities.

Three out of four companies would like tax incentives for providing child care assistance, and one out of two agree government grants should be provided for employer sponsored programs.

How to Obtain Additional Information

A full report with detailed information on each of the above sections is available from the American Society for Personnel Administration. Most data is analyzed and displayed for all companies and by company size. The cost of the report is $35.00 for ASPA members and $50.00 for nonmembers. To order, complete the following ASPA Publications Order Form:

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Postage & Handling Add $3.00 per report	
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ASPA
Payment Rec'd ______
Amount ______
Company Ck ______
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Chapter Ck ______

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Exp. Date ______

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Signature

PREPARED STATEMENT OF RAYMOND C. SCHEPPACH

Good morning, Mr. Chairman and members of the committee. I appreciate the opportunity to testify today to share with you the views of the nation's Governors in developing effective child care legislation.

The Governors believe that a national child care policy must support parents in their primary role of nurturing and caring for children. It should enable a family to choose the child care option—whether it is in-home or center-based—that best meets their needs.

The child care proposals pending before your committee reflect many of the Governors' key concerns. These include making child care more affordable for low- and moderate-income families; increasing the number of child care facilities and qualified staff; and improving the quality of available care.

Expanding the supply of affordable, quality child care is an integral part of our efforts to reform the welfare system and to move families from poverty to economic self-sufficiency.

Quality child care also influences the health and well-being of the nation's children, and it plays a central role in America's economic viability. Quality child care is linked not only to the nation's investment in a competitive workforce in the future, but also to the productivity of the current workforce.

THE APPROACH

The Governors believe that federal child care legislation must strike a balance between a tax credit and a grant program if it is to comprehensively address the issues of supply, quality, and affordability. bile a tax credit will help families pay for child care, a grant program will help states improve the quality, affordability, and supply of that care.

TAX CREDITS

The Governors believe that tax credits to help offset the costs of child care should be targeted to help low-income families maintain their economic independence. Affordable child care is critical for working poor families. Ideally tax credits also provide parents with the flexibility to choose the child care arrangement that is most appropriate to their families' needs.

The Governors' believe the dependent care tax credit should be retargeted by making the credit refundable and increasing its monetary value. We applaud a bill before the committee, the Expanded Child Care Opportunities Act, introduced by Senator Bob Packwood (R-Ore.) and Senator Daniel Patrick Moynihan (D-N.Y.), which would make these changes.

These proposed changes to the dependent care tax credit would better target the benefits to low-income families. These changes would complement the work done on welfare reform by continuing child care assistance for many JOBs participants even after the year of transitional child care assistance expires.

Since there is no income cap on receiving the dependent care tax credit, the committee may want to consider phasing out the credit at upper income levels to help offset the costs of these proposals.

President Bush's proposal for child care tax credits, introduced by Senator Robert Dole (R-Kan.) as the Working Family Child Care Assistance Act, also contains a component to make the dependent care tax credit refundable but does not increase the monetary value of the credit.

The Governors will consider a new children's tax credit or allowance, such as that included in the Bush proposal, or an adjustment of the earned income tax credit that is based not only on income but also on family size. However, the Governors believe that priority should be given to making the dependent care tax credit refundable to help working mothers and welfare recipients who are trying to become economically self-sufficient.

GRANT PROGRAM

In addition to a child care tax credit, the Governors believe that a grant program is critical to addressing the issues of quality, affordability, and supply. The Governors support a grant program that will give states the flexibility they need to improve and expand quality child care programs. A flexible grant program will allow Governors to build upon their existing child care systems, identify priority needs, and work to address them. It would also give states the flexibility to continue to experiment with innovative ways to provide child care. This flexibility will ensure more efficient targeting and use of resources.

While the Governors like the flexibility for states outlined in the Packwood/Moynihan grant program, they are concerned that it directs a disproportionate share of resources to the tax credit, rather than to building a child care infrastructure in each state.

Many Governors have undertaken new initiatives to address existing gaps or problems in their child care systems:

- New Jersey recently allocated $2 million to increase salaries of day care directors, head teachers, and direct service staff.
- Arkansas developed a Child Care Provider's Training Fund that uses part of a licensure fee on providers and is matched dollar for dollar by the state.
- Pennsylvania recently initiated a plan to fund resource and referral agencies throughout the entire state. This will improve the dissemination of information for parents and the management of state-subsidized funding such as Title XX.
- Maryland now provides a financial guarantee to banks of up to 80 percent of loans to construct new child care facilities.
- Massachusetts awards $300,000 annually in child care "scholarships" of $1,000–2,000 for low-and moderate-income families.

The federal government should support and encourage state efforts such as these to initiate effective responses to address growing child care needs. These needs include training child care providers; strengthening licensing and enforcement procedures; establishing liability insurance pools; creating programs for children with special needs; and developing resource and referral agencies.

REGULATION OF CHILD CARE

The quality and regulation of child care has been, and should remain, a state responsibility. Many states have enacted or upgraded child care standards and licensing procedures.

- Last year, Arkansas, Colorado, Delaware, and New Mexico adopted annual training requirements for child care providers.
- Other states, including Arizona, Illinois, Minnesota, North Carolina and New Jersey, improved their regulatory systems by creating new categories for coverage of child care services.

The federal government should support, not supplant, these state initiatives. However, not all states have the resources to establish and enforce optimal child care standards. The federal government should work with states to improve the quality of child care. The Governors propose that the federal government provide incentive grants to states to help improve their child care standards. I'll leave a copy of the Governors' incentive grant proposal for your consideration.

Only with a national commitment to child care, including an investment from the federal, state, and local levels and the private sector, will progress be made. This investment and partnership will heighten the nation's ability to help the millions of families who cannot afford child care and can improve the quality of that care. From the Governors' perspective, investment in children is the single most important effort we can make to ensure our nation's future economic stability.

The focus of your committee hearing today is an impressive start in a process that should lead to comprehensive child care legislation. The Governors are committed to work with you in this important effort.

PREPARED STATEMENT OF HERB STOUT

Mr. Chairman, Members of the Finance Committee, I am Herb Stout, Commissioner in Wake County (Raleigh) North Carolina. Today I am representing the National Association of Counties in my capacity as vice chair of the NACO Human Services Steering Committee. We appreciate this opportunity to testify.

I'd like to give you NACO's views on the two predominant approaches to child care: tax credits and direct federal resources. I'd also like to talk briefly about my home county's efforts in child care.

NACO supports increased federal resources for child care. We support a mix of tax credits and direct federal resources. Both approaches have merit. We would hope that neither approach is pursued to the exclusion of the other.

I'd like to first turn to the tax credit proposals by discussing the "expanded child care opportunities act of 1989" (S. 412) introduced by Senator Packwood and cosponsored by several of the members of this committee.

We support the provision to make the existing dependent care tax credit refundable and expand the credit for low-income families. A refundable credit would give law-income families greater freedom of choice in child care arrangements and, life a negative income tax, increases their income. This approach is an administratively efficient means of targeting resources to lower income families and complements the successful efforts this committee undertook last year when it included transitional child care in welfare reform. We are encouraged that the provision seems to have bipartisan support, including the President's. To help finance a child care package, we would support a phase out of the tax credit at upper income levels.

Another tax credit proposal that we have reviewed is President Bush's child tax credit giving very low-income families up to $1,000 per child under four. As a way of putting more income into the hands of very poor working people, it is a step in the right direction. But, we do not consider it a child care provision. The credit could be used for many other important pressing needs such as food, clothing and shelter. We believe it would be a mistake to construe this proposal as one that meets child care needs.

Tax credits are not a substitute for direct funding. A balanced approach to federal child care initiatives should also include grants. We support an increase in the head start program which clearly is one of the most effective federal programs in existence. We also support an increase in the social services block grant. However, we can not support an earmark of new funding for child care as proposed by S. 412. Counties rely upon the funding for a variety of competing social needs. A Title XX earmark would hamper local governments' ability to make the tough choices on meeting its community needs. While we believe that the block grant should be increased, we would urge you to not view it as the primary means of addressing child care.

The "ABC" bill as passed by the Senate Labor and Human Resources Committee last month has improved greatly compared to last year's bill. Provisions were added recognizing the importance of local governments in coordinating and providing some of the child care. A higher percentage of funding is available to states to increase supply and improve the quality of care. However, we are concerned about the imposition of a number of new state mandates, including federal minimum standards.

Our position opposing federal minimum standards is one that many of us at NACO agonize over. As elected officials, county commissioners are there to serve the public. For many of us, our primary motivation for holding office is to protect and represent the interests of those constituents who are disadvantaged. We are just as concerned about the health and safety of children as anyone else.

But we also face the hard reality of complying with unfunded or underfunded federal mandates. We make the tough choice of either increasing local revenues to comply with the mandate or reducing other services to pay for it. Many national goals are commendable, but they do create additional burdens at the state and local levels. Many of us are striving to meet environmental protection mandates including clean air, water and solid waste disposal. We work to comply with many of the transportation mandates. And, in human services, we struggle to meet the quality control requirements of the AFDC program.

So, mandates are not new. Nor is our experience that they are not funded fully. This past experience, combined with the reality that today's federal budget deficit limits funding available for new initiatives, causes us a great deal of concern when new federal standards are considered, regardless of the issue.

We also look at new federal initiatives in the context of the shift in financial responsibilities during the 1980's. State and local governments have taken more than their fair share of cuts to reduce the federal deficit. According to the Congressional Research Service, federal grants to state and local governments have decreased in real terms by 47 percent since 1980. When federal grants are singled out as a percent of total county budgets, the drop is even more dramatic. In 1980 federal grants were 9.1 percent of county budgets. In 1986, excluding general revenue sharing, counties only received 2.5 percent of their budgets from the federal government—a 73 percent drop.

We have responded to federal standards and decreased federal dollars by raising local revenues. The advisory commission on intergovernmental relations estimates that local governments have increased their own revenues by over 60 percent between 1981-1987. Excluding all other revenue sources, local governments raised nearly $464 billion in 1987.

We recognize the budget dilemmas you face. Given the limited flexibility in raising new revenues for social programs, we are realistic enough to believe that a full $2.5 billion appropriation for ABC would not be possible in the near future. Since that is the case, we are particularly concerned about implementing the many laudatory requirements with less than full funding. If we cannot meet the mandatory requirements, then the failure of the program will be laid at the steps of our county courthouses.

Yet, we do not want to dismiss the real concern for the health and safety of children in child care. As elected officials, we hear the same message you hear in the Senate: there is a lack of affordable, quality care. We want to work on addressing those concerns but would urge you to consider a system of federal incentives instead of sanctions to get to the goals we all share.

To improve the quality of care, we would propose a system of quality incentive grants that would be available to state and local governments, particularly to those which are most in need of improving their child care systems. A national advisory committee on model child care standards would develop regulatory and licensing standards for state and local governments to work toward. Based on their unique resources, demographics, and existing child care systems, each state would design an appropriate strategy to meet the model standards. Unlike a mandatory standards approach, those states most in need of improvements and child care resources would not face the loss of funding if they had not complied completely.

If the state can document adequate progress in improving the quality of care, it should continue to be encouraged with incentive funds to improve its systems.

Again, let me emphasize that I think we all agree on the goal of quality care. There is more than one way to get there. Frankly, given the fiscal realities of all levels of government, a system ultimately based on sanctions will create adversarial relationships and schemes to work around the requirements. A more straightforward approach of quality incentive grants combined with continued political pressures from families for quality care will get us to the same goal.

I'd like to turn for a moment to our experience with child care in my home county. Our involvement is directed by the office of child day care within the Wake County Department of Social Services. We offer care for children at risk of abuse, those in foster care, and children of working parents still on welfare. Until recently, funding was totally federal and state dollars. The county is now budgeting $56,000 of its own dollars to supplement the federal and state efforts for a total budget of over $1.3 million.

We are responding to significant increases in demand for child care services in all of the areas we currently serve. While we are serving 623 children, we have more than 700 children on various day care waiting lists. Federal help is needed not only to provide funding for these children on waiting lists, but also to provide incentives for improving the quality of child care in wake county and in North Carolina, especially since our licensing standards for child care in North Carolina are among the weakest in the nation.

Much has been said in recent years about the defense of our country and our democratic way of life. We in counties across this nation know that the real threats to democracy are not just external to be defended with military might, but are also internal. It is sound public policy for America to invest in its children and ensure that they get a good start in life.

The availability and quality of child care has become just as important to the functioning of our nation and its economy as bridges, highways, sewers and weapons systems.

An enormous amount of time and effort has been spent on developing federal responses to child care needs. There is no one ultimate approach. We are all motivated by a true desire to assist children and their families. NACO pledges its support in working with the committee to ensure that a bipartisan bill is enacted this year.

Thank you again for this opportunity to testify. I would be happy to answer any questions you may have.

Prepared Statement of Senator Malcolm Wallop

Mr. Chairman, These two days of hearings on child care continues the work begun last fall by the Finance Committee on this issue. Last September, the Committee held a one day hearing on child care tax credits at my request. That hearing was the first by the Committee since I became a member a decade ago. Child care issues at the federal level had been dormant since the early 1970s when an unsuccessful attempt was made to impose federal controls on day care centers. The resulting public outcry led to a decisive defeat of this misguided intrusion.

Historically, the development of child care resources has been the responsibility of the States and the private sector. Federal involvement came to life in 1976 when Congress approved the Dependent Care Tax Credit. This credit is a capped credit, very limited in its impact on child care services. Congressional interest in broader child care legislation did not occur until several years ago when Senator Hatch introduced legislation to improve the quality and affordability of child care. Other proposals, such as the ABC bill, were to quick to follow.

At the hearing last September, much time was spent on the ABC bill. I noticed that the proponents have again appeared with the same arguments on behalf of federalizing child care. I do not want to dwell on this bill since it is a problem for another Committee. I would instead urge the Finance Committee to devote its time to exploring another, more appropriate approach to the child care dilemma—the tax credit solution. So, there is a definite choice between the ABC attempt to establish a national program of institutional child care administered and funded by the federal government versus a free choice alternative promoted by tax credits.

In the last Congress, I was the original sponsor of a tax credit proposal which expanded child care opportunities. It was an attractive concept, and many variations of it soon followed. Last week, I introduced a revamped version of my proposal, S. 761, with Senators Domenici and Durenberger as the major co-sponsors.

Our legislation embodies several important principles which correct deficiencies in current law and in the ABC bill. Senator Domenici testified yesterday regarding the details of our bill, so I will focus on its four principles. First, our bill is based on the idea that freedom of choice is essential to families in making child care decisions. This freedom, or opportunity, has two parts. The tax credit should be available to all working families—both those where one spouse works at home as an unpaid homemaker and those where both spouses have regular employment.

As other witnesses have indicated, the decision of a spouse to remain at home has financial consequences for the family. The average income for these families is obviously lower than the average income of families with two working spouses. Our tax credit treats both types of families equally by making both eligible for child care tax credits.

Such credits also promote freedom of choice by allowing the parent to choose the most appropriate child care for their children. As I've said, our bill allows one parent to provide child care at home. Another option is a neighbor or relative providing the care. Or, a family child care provider who accepts children in their home is another resource. And lastly, there is the institutional child care. This is in direct contrast with the ABC bill which favors institutional care.

Our second principle is that the credit is directed to low and moderate income families. The current credit is a "Yuppie" credit of sorts with most benefits going to two earner families with income in excess of $32,000 annually. Low income working families, with incomes just above the minimum wage, receive only 3% of the benefits from the current tax credit. The ABC bill will do little to further help these families since most of its funds will go to administrative expenses. Only 700,000 children will be helped by ABC, while our bill effects some five million children.

Our third principle is that we have expanded funding for the State Dependent Care Block Grant. Funds will be provided to the States to improve the accessibility and quality of child care.

Lastly, there are no federal standards or mandates in our bill. This Committee will not be the forum to discuss federal regulations for child care. It is the stage for debating the child care tax credit which minimizes federal intrusion in family affairs.

The cost of our proposal will be about the same as the Bush initiative, which was based on the bill I sponsored last year. The financing of the new credit will have to be decided in the upcoming budget debate. I believe we have put together a very useful child care credit, and I look forward to working with you on this legislation.

PREPARED STATEMENT OF MARK A. WALSH

Mr. Chairman and Members of the Committee: Thank you for the opportunity to appear before you today on behalf of the National Child Care Association (NCCA). My name is Mark Walsh, I own five child care centers in the Rochester, New York area and I currently serve as President of the New York Child Care Association. Recently, I was appointed to the Governor's Advisory Committee on Child Care by Governor Cuomo. As a member of the Board of Directors of the National Child Care Association, I am pleased to bring the concerns of this young, growing and viable industry to your attention.

The NCCA was formed as a federation of State Associations representing proprietary child care centers and preschools. Our membership is predominantly comprised of tax paying small business proprietors of single center operations.

It has been estimated that the proprietary sector of the child care industry supplies some 40% to 50% of all licensed child care delivered in the United States. As the only national association of proprietary child care providers, NCCA is uniquely capable of participating in the policy debate concerning pending federal legislation on child care. NCCA supports Federal efforts to expand the availability of much needed child care targeted towards low income families, and to improve the quality of child care programs overall.

As professional child care providers, we believe that Federal initiatives in the area of child care are long overdue and we welcome those efforts. However, we believe that the Federal role in child care must be carefully crafted to increase capacity rather than to decrease it, and to preserve, expand and draw from the current child care system rather than destroy it.

NCCA believes that the proper goal of Federal child care policy should be to encourage and promote parental rights and choices about child care. We, who are reminded daily of the value of good child care for today's working parents, strongly advocate providing assistance to low income families for their child care costs, and we vigorously support state licensing standards for pre-schools, kindergartens, child care centers, group day care homes and family day care homes—*all paid, non-family, out-of-home, child care programs.*

To acquaint you briefly with the industry I am representing, we are young and growing. In the best American tradition, we have responded, before government has, I might add, to the demands of our country's current life and work styles and to what parents request for their children. We have grown into a diverse industry because we have tried to meet parental, religious, ethnic, educational and programming demands. We will continue to develop and meet the public's needs, if equal market conditions are allowed to operate within our environment of free enterprise.

I would like to cite for you a personal example of the private sector's ability to respond creatively to the needs of the marketplace. Last September, my child care firm began the operation of an on-site child care program at the campus of Rochester School for the Deaf. This program, designed to provide care for the children of staff members, the deaf community, and the community-at-large, is an excellent example of a joint private-public program designed to meet a group's needs. At the present time, approximately 30% of the children attending the program have a hearing impairment. All of our staff members have, or are being trained in sign language. Two of our staff members are deaf. In classic tradition, we saw a need and filled it with a program that had never been done before . . . and without any outside assistance.

In 1977, the U.S. Census Bureau identified 18,300 licensed child care centers in this country. In 1985, that figure had risen to 61,079 licensed centers—a 70% increase. This nation's child care industry currently adds $15.3 billion to gross revenue, and according to a recent article in the Wall Street Journal, an annual growth rate of 21% through 1995 is expected. At that time our industry will contribute an estimated $48 billion annually to our economy. Additionally, the Census Bureau identified 1,060,000 child care center employees in 1984. It is well over that figure today. In 1985, 25% of working women with preschool children used licensed child care centers, compared with just 16% in 1982.

While national chains continue to expand, I believe it is important to note that the for profit child care industry is still dominated by small tax paying proprietors. Of the estimated 30,000 for profit centers in the country, less than 8% are operated by the five national chains. Businesses are also beginning to see the value of responding to the child care needs of their employees. In 1978, 110 employers nationwide offered some kind of child care assistance. Last year that number reached 3,500. While this expansion and growth in child care services has not happened overnight, the fact to remember is that it is happening, and it has happened largely without government. Imagine what could be done to encourage and continue this growth with the implementation of a well directed and developed, sound government policy.

These are but a few of the growth statistics about child care. There is another side with which I am extremely familiar . . . and that is the human side, both in terms of owners and staff who strive continually to provide quality child care, and for the young families who have expressed confidence in this industry by placing their precious children in our care. Many of us have committed our futures and those of our families to this profession, not because of high profit margins (which do not exist), but because of a genuine concern for young children. We are an industry which cares deeply for America's children and their access to safe, licensed, quality child care.

We face a Congressional session filled with child care legislation and we welcome an atmosphere of public attention to the nation's child care situation. We do, however, have to be realistic and practical in our evaluation of what our nation needs in terms of child care.

Let me briefly address two of the major bills which the NCCA and other national organizations in our Child Care Working Group *strongly oppose*—the ABC Bill, (S. 5; H.R. 30), sponsored by Senator Dodd in the Senate and Representative Kildee in the House, and the "Child Development and Education Act" (H.R. 3), sponsored by Representative Hawkins, Chairman of the House Committee on Education and Labor.

Our members, teachers and the parents we serve strongly oppose both S. 5 as well as H.R. 3 and 30 because:

(1) The ultimate effects of these bills are *to hurt poor families and their children and severely restrict the parental choice that they can exercise.*

First, one of the principal reasons for this statement is that these bills are *constitutionally flawed on Church/State grounds* and will not be implemented while undergoing constitutional challenge by such groups as the ACLU. One of the principal reasons for this would be the excessive entanglement that would inevitably result between overseeing authorities and religiously sponsored child care programs;

Second, they *will force many proprietary centers to close,* and in the case of Title II, of Congressman Hawkins' bill, "School Based Child Care and Development", it will sound the economic death knell for the majority of for-and non-profit centers by *irresponsibly monopolizing the care of 4 year olds,* (as well as *pre-and after-school care) in the public school system.* The *economics* of these effects are not hard to understand. Most center providers would tell you that they need to serve a sufficient number of 4 year olds where the labor intensity is less, so that they can absorb or offset the financial strain of caring for infants and toddlers. Because quality infant and toddler care is so expensive to provide, rather than charge the actual costs, centers have tended to distribute that cost over the entire center. In other words, *four year olds* help considerably in balancing out the loss experienced by the care of infants and toddlers.

Moreover, by imposing *minimal Federal standards* on the States, both the ABC Bill and its clone for infants and toddlers in Title III of Mr. Hawkins' bill, *will raise tuition costs for center care,* and *ultimately,* also, *cause many centers to close their doors.* According to the only, and to this date unchallenged, fiscal analysis of the economic impact of these minimal Federal standards, reported last year in Child Care Review, it is estimated that the cost of center child care nationwide will increase by nearly $1.2 billion, and ultimately 12,600 centers (20% of all licensed facilities) would close. 786,000 children, it is estimated, would be displaced.

These economic effects will be especially severe in the *Sunbelt States* where parents will absorb *79 percent of the total national tuition increase* and where *84 percent of the total child displacement* will occur. For example, in two of the States that lead the nation in available, licensed child care, Texas parents could expect an average increase of weekly tuition costs of $18.41 and parents in Florida, $16.21 per week. Even up North in Rhode Island, the weekly tuition raise would be $15.13. Those displaced from child care will have to find care somewhere else. All too often, the result of increased child care fees has been the placement of children in unlicensed, unregulated, unmonitored and often times, unsafe environments, with the regrettable results one reads about too often in newspaper abuse and injury headlines.

What is even worse, if the *optimal I standards* recommended by the accreditating arm of the National Association for the Educational of Young Children (NAEYC) were adopted, professor Richard Clifford of the University of North Carolina has estimated that it would cost parents *$5,200 annually for center care,* and the costs would be even higher for the same programs in the public schools.

Let me speak, for a moment, from personal experience. As a child care operator in New York State—one of the most regulated States in the Nation—I am very familiar with the cost and impact of regulations. It is now very common in my area for child care to cost over $5000 per year. And with inevitable minimum wage legislation (and it's "push-up" effect on wage structures), Section 89 compliance demands, real property cost escalations, and unjustified insurance cost increases, the cost of providing quality care will continue to spiral upward. I dare not imagine the impact on this Nation should these standards be forced overnight on all areas of our Country.

Moreover, the drafters of these bills have caught themselves in a catch-22 situation over these standards. *On the one hand,* they would lead us to believe that *only* those centers who *choose* to participate in the Federal ABC program *will be bound* by these minimal Federal standards. But they add another element, namely, *unless* the centers *do not receive other public funding* (at any level, Federal, State, County, municipal) they must fall under the Federal standards. They, therefore, would place owners in a position of possibly refusing care to a battered or protective services child who was paid for by a county or local agency. *On the other hand,* within a 4 or 5 year period, in order to maintain its ABC eligibility, each State will have to certify to the Federal Administrator of Child Care (undoubtedly soon to be a "czar") that *all* centers in their State are licensed and monitored, and *then,* that *all* such licensed child care ascribes to the *minimal* and *irreducible* Federal standards. Otherwise, the State is decertified and can no longer receive ABC money.

What about the large and growing number of *religiously sponsored* centers, especially in the 12 States where, by statute, they are exempt from licensing and regulation, and which strongly oppose being regulated by secular/public authorities on religious grounds? Are they to be discriminated against because of their beliefs? Might they not bring legal suit also, again delaying implementation and hurting thereby the poor and their children? The ABC supporters have been caught in a religious labyrinth from which there is no escape.

These bills are so flawed and unjust that they appear, as you read them, more and more like Swiss cheese. They do not respect State and local rights to decide how to regulate, monitor and improve the quality of a wide variety of child care options and will result, at the least, in a two-tier system of center care. They violate the well-accepted "principle of subsidiarity."

(2) These bills are *blatantly anti-small business.*

Speaking also of *prejudice* and *unfair exclusion,* both these bills are *deliberately biased against proprietary centers,* putting us at a severe competitive disadvantage, and even out of business. We are *deliberately and unjustly excluded* from the ABC grant and loan provisions for care environment improvements, from technical assistance and teacher improvement grants, from demonstration program grants for business-center partnerships, and so forth. The supporters of these legislative affronts to fairness have repeatedly heard the proprietary small businesses cry out for fairness in this regard, and resolutely chosen not to compromise in any way. Mr. Chairman, it's tough enough competing in a marketplace where non-profit centers pay no taxes, receive subsidized food, obtain operating grant monies, charge rates equal to or higher than proprietors, and refuse to accept subsidized children. Our tax-paying centers are faced with an evergrowing unfair competitive challenge from tax-exempt providers.

Our tax-paying centers already are faced with an evergrowing unfair competitive, challenge from tax-exempt providers. Recall, if you will, that IRS designation as a 501(c)(3) charitable organization triggers a plethora of advantages, such as exemption from Federal, State and local income, sales, and property taxes, favorable postal rates, favorable contract arrangements with public bodies such as public school systems and the so-called "halo image." It is no wonder that recently a YMCA national official was quoted as declaring that now YMCAs have more child care centers than even KinderKare!

(3) These bills are *deceptive about child participation and raise false expectations for parents and the public.*

It boggles the mind that the eligible population under the ABC Bill, if fully funded at $2.5 billion annually, is estimated by the Child Welfare League at *18 million youngsters,* aged infant to 15, but only 1 *million* would be served. One can only express bewilderment that the ABC Bill is so unrealistically all-encompassing, attempting to solve latch-key children problems in a pre-K bill. Moreover, the average direct subsidy to all eligible parents would be only $97, if the Bill were fully funded; or a much smaller parent group could receive a larger subsidy. (Consider that under S. 412, the Moynihan/Packwood tax credit/Title XX Bill, the maximum credit per child would be $960 and could be refundable).

(4) These bills will *unjustly redirect the family rearing policies and preferences* in the United States for future generations.

Finally, and perhaps more devastatingly for the future course of family life in the U.S., testimony presented last week before the House Republican Study Committee strongly indicates that the ultimate purpose or effect intended by the core leadership of those groups fervently pushing the ABC approach as the only way to go, is *to impose a Swedish family model on the unsuspecting U.S.* In that system, the main role of both parents after a child is born, is to go back to work as soon as possible and "leave the driving to us," the early childhood elite establishment and value-neutral or free, public education system. This is a perversion of the American way of life and flies in the face of every known child psychology study about the need for parent bonding and nurturing with their child, and an affront to parent choice in child rearing.

Now, let me emphasize the *positive*. What are we for—what approach to the national child care policy does the NCCA and other major organizations espouse as a reasonable alternative to the dangerously flawed approaches I have just discussed. At the outset, let it be heard loud and clear: *we, too, care* about youngsters. The ABC coalition has no monopoly on concern for the safety and health of young children, for their parents' involvement, and for teacher and program improvements on all levels.

We support the basic thrust of S. 412, the "Expanded Child Care Opportunities Act" introduced by Senators Moynihan and Packwood and many of your colleagues on this Committee on Finance. Our reasons for this support can be related to the three objectives or issues—*availability, affordability* and *quality,* around which the national child care policy debate has been framed.

Availability. The issue of *availability* is a red-herring. There is no massive and critical shortage of child care now, or for the foreseeable future. Rather, as our current NCCA National Center Vacancy Study is expected to find, (as preliminary results did last September), there are actual vacancies ranging on a State by State basis from 14 to 30 percent in center care. This is in accord with the April 1988 report of the Labor Department that identified pockets of shortages, skewered by age (infants, for example) and location, and highly sensitive to the current national and local economy. And presumably, there will be an ample supply of both paid and unpaid, family home care providers.

Affordability. To address this need in a constitutionally appropriate way, the NCCA endorses increased-percentage child care tax credits, targeted towards the poor, and refundable for the most needy. We would also propose a targeted, nondiscriminatory use of child-care certificates for the truly poor to use for the child arrangement of their choice, provided by the States from their *Title XX Social Service Block Grant* funding.

In this way, the percentage of family income dedicated to child care by poorer parents can be reduced form approximately 20–25%, and more closely approximate middle income family percentages, as well as increase parental choice options.

Quality. But tax credits alone (absent a massive improvement in parent/consumer education and critical questioning and awareness) will not do enough for *qualitative improvements* in child care.

These block grant funds also should be used to address the issue of *quality,* as determined and decided, with wide local input, by *those closest to the scene, the States and localities.* Federal standards and a brand new Federal oversight establishment is not needed. We desire improvements in State licensing and monitoring of all types of *paid* child care, especially for the estimated 90% of *paid* family home care providers who currently are not regulated. (These are not grandparents, other relatives or trusted neighbors, but those who provide care for 5 or more children to whom they are not related, and for pay in their homes.) They, above all, need remedial assistance to improve their care environments (family rooms, or basements), and to upgrade their pedagogical skills, through continuing education programs from a variety of sources, such as at local community colleges. And this is true for all types of center providers, as well.

Many other issues should be addressed in a truly pre-K, child care legislative agenda—appropriate participation of senior citizens without jeopardizing their Social Security benefits; creative business/child care center partnerships and a cafeteria plan of child care benefits for employees; vast improvement in resource and referral services; increased parent consumer education (the ultimate quality assurance guide); and liability insurance reforms for care providers.

Mr. Chairman, the time has come for a fair and equitable national child care policy, targeted towards lower income parents and their pre-K children, and for children of special needs, funded through a combination of tax credits and social service block grants. The ultimate quality of provision responsibility should be determined by the States and localities, in dialogue and partnership with needy parents, and other knowledgeable participants.

We join the voices of many advocates who contend that most State licensing departments are in dire need of additional resources, and we believe it is an appropriate role of the Federal government to provide incentives and assistance to those departments to assure adequate monitoring of non-familial, out-of-home, paid child care, especially unlicensed family care providers. Until this country improves, upgrades and assures all children of the equal enforcement of health and safety standards in its current system, it seems ludicrous to impose even stronger Federal standards on the very segment of the industry that is already highly regulated, and willingly accepts state regulations, or their voluntary equivalent, for the protection of the children for whom we care.

This is the only constitutional, focused and effective pre-K program for the Federal government. It's not as simple, therefore, as ABC.

The quality issue in child care is nebulous at best. Quality means different things to different people, and it is that broad spectrum of parental demands and expectations that has afforded this nation its diverse child care system. And it is the protection of this diversity that we, as an industry, feel is important to the working parents of America. We across the country, I assume we, as an industry, must be doing something right. I know I speak for thousands of child care professionals who are extremely proud of the job they do.

While I am extremely grateful to the Committee for allowing testimony from the National Child Care Association, I must encourage you to continue seeking input from all sources. What I have to say, as a practitioner and provider of child care is very different from what you might hear from the theorists, social scientists and even insurance underwriters. However, we are the ones implementing child care policy and actually providing the service. With an estimated three million children in licensed child care across the country, I assume we, as an industry must be doing something right. I know I speak for thousands of child care providers who are extremely proud of the job they do. We suggest that the federal government play a role in providing resources for state licensing departments to license more completely and consistently all non-family, out-of-home, paid child care, as well as center based care. We also encourage the federal government to help us to improve the quality of child care by increased training of child care professionals and increased consumer education, and upgraded resource and referral centers.

In conclusion, I want to thank you again for this opportunity to present testimony before the Committee on Finance. I have tried to present an accurate picture of both my industry and my profession and our goals and concerns for the children of America. We are a new industry, we are developing, and we are professionalizing at an incredible pace. We need your help to continue both our commitment to private enterprise and to children. I urge you to consider carefully the impact of your legislative action on our future.

Enclosure.

RSD

Building Futures

The Newsletter from Rochester School for the Deaf

1545 St. Paul Street, Rochester, NY 14621 (716) 544-1240 Issue No. 39, 1989

RSD Answers Vital Need For Day Care

New Day Care Center Provides Model Program

If it's still true that an apple a day keeps the doctor away, then the Apple-a-Daycare Center must do wonders for the nearly 30 children who benefit from the new program at Rochester School for the Deaf.

"Through our long-range planning we recognized the need for day care at RSD. We also recognized an evolving pattern of employer involvement in providing child care services for employees," explains Leonard G. Zwick, RSD superintendent.

The problem was addressed by a teacher/staff committee of the RSD Staff Association headed by Joni Stanley, president of the association. The committee studied alternatives and investigated existing day care center programs.

The result — the distinctive Apple-a-Daycare Center program at RSD — is believed to be the first program nationally to care for both hearing and deaf children.

"The center wouldn't have been possible without a caring and supportive administration," says Margot Long, RSD speech supervisor who served on the committee recommending a day care solution.

Zwick says the decision reflects the school's commitment to providing vital services to its staff, the deaf community, and the greater Rochester community.

First available for children of RSD staff, the program then was extended to children of the deaf community and then to the community at large. After the first month of operation, nearly 30 children attend the center. Eleven are hearing impaired; 16 are children of RSD staff.

Long says, "The RSD committee was motivated to find the best because we wanted the best for our children. All of the center directors have master's degrees in education. Few day care programs can offer that."

Dr. Roger Yeager, an RSD school psychologist whose daughter attends the center, stresses that the program provides a balance of social and educational activities that gives children from eight weeks through five years a chance for both fun and development.

In addition, the program blends hearing and hearing impaired children to the benefit of both.

"It's a unique opportunity for hearing children to be in a quality program that exposes them to multiple forms of communication," adds Rhonda Parrish, a member of the RSD day care committee.

The center staff is being trained in all forms of communication with the deaf, including manual communication.

Play time offers the opportunity for interaction between hearing and hearing-impaired children.

The children love visitors to come to the center.

Nutrition is an important part of the Apple-a-Daycare program.

The Apple-a-Daycare Center's president, Mark Walsh, believes that when deaf and hearing children play and learn together they discover that people are not really different.

"The interaction benefits both," adds Roberta Kappel, who is the on-site center director. "In addition to the social and learning programs found in all of our centers, we provide speech reading and sign language programs that enable all the children to communicate more fully."

She says the structure offered at the RSD center makes for a happy and

(Please turn to page 4)

Model Program

(Continued from page 2)

productive day. Each week the center offers a new theme, and activities are geared to sharpen the child's skills. The activities, caring staff, and healthy food, provided by a dietician, give parents the knowledge that their children are in good hands.

Parents are encouraged to call the center or stop in. Stopping to see a child is particularly helpful to parents who work at RSD.

"Children are our future, and we want to give them the best support possible from a committed staff," says Jayne Andrews, executive director and co-founder of the Apple-a-Daycare Centers, Inc. She and Walsh opened the first center in 1986. Now there are five centers in Rochester, and the program may expand to other areas of western New York.

Andrews adds that the greatest challenge is finding quality staff. Extensive interviews and background checks are part of the staff selection process. The right selection process, combined with higher than average pay and good locations, helps the program attract a high caliber staff. Many are mothers themselves.

Zwick says this unusual day care program is being watched as a potential national model.

A special time of day occurs when stories are read to the children.

RSD board members observe the highly unique and successful daycare program

Building Futures

This newsletter, which comes directly from the office of the superintendent, is designed to keep friends of Rochester School for the Deaf informed of the school's latest developments and full impact of RSD on the lives of deaf young people. Comments and reactions to this communication are welcomed by the superintendent. (716) 544-1240.

PREPARED STATEMENT OF SENATOR PETE WILSON

Mr. Chairman, I wish to thank you and members of the Committee for affording me the opportunity to testify before you this morning. Once I have finished my remarks, perhaps I will have succeeded in convincing you that my bill, the "Kids in Day-Care Services Act," is deserving of this Committee's careful consideration.

Indeed, I was pleased to learn of the introduction of legislation by several members of the Committee which adopts an approach similar to that of the KIDS bill. While I have several concerns about the legislation, I am nonetheless heartened by its approach.

Mr. Chairman, there is no more immediate concern to American working families than that of child care. Each day, these families must ask the question, "Who will watch our children?" Often times, the answer is not clear. This is especially true for single-parent families on a very limited income.

Therefore, I feel it is incumbent upon Congress to fashion child care legislation which offers hope, offers a complete answer to that question.

Permit me to share with the Committee what I believe to be the proper mix—to be that answer.

In my view, the best solution to the child care dilemma seeks to establish a working partnership among the Federal Government, the States, and the private sector.

The "KIDS in Day-Care Services Act," or KIDS bill, would accomplish this end.

In essence, the KIDS bill would preserve parental choice in the selection of child care services, remove barriers to the private sector for the establishment of new services, and increase the availability of child care services at the State and local levels.

Let me share with you several specific provisions contained within my legislation.

For many American families of limited means, the cost of child care is prohibitively high. Although the average cost is estimated at around $3,000 per child per year, in some states the cost of these services is nearly double that amount. Since current tax incentives and federal, state, and local programs are limited, a growing number of families find themselves in need of assistance.

The KIDS bill would ensure access to child care for low and modest income families through the establishment of a new, refundable "Children's Tax Credit." Up to $1,500 per year would be provided to help meet the costs of child care. For those families who do not earn enough to pay taxes, the KIDS bill would also make the current Dependent Care Tax Credit refundable. Families could choose between the greater of the two credits.

Mr. Chairman, simply providing tax incentives would not be an adequate policy response. Clearly, to place a chit in the hand which rocks the cradle would be unfair if there are no child care services to purchase. We must address the supply side of the child care equation as well.

Accordingly, the KIDS bill would increase the availability of child care services through assistance to the private sector and the States.

One of the major impediments to providing child care services in the private sector is the cost of liability insurance. According to the American Insurance Association, twelve states require insurance carriers to underwrite child care centers. However, while insurance carriers may be required to issue policies, the actual cost of insurance is not regulated and in many states has skyrocketed.

To assist businesses in obtaining affordable coverage, the KIDS bill would provide $100 million for a liability insurance risk pool.

In addition to liability relief, the KIDS bill recognizes that the small business sector of our economy will provide tomorrow's jobs for the influx of working mothers expected in the job market by providing a facility tax credit to small businesses of up to $100,000 (twenty-five percent of expenses) for the establishment of child care centers.

Through both of these incentives, the liability insurance risk pool and the facility tax credit, I believe we would greatly assist the private sector in meeting its responsibility to respond to changing work force needs.

Mr. Chairman, any successful child care proposal must also involve the States in the solution. Therefore, the KIDS bill would provide $1.6 billion over four years in block grant funds to expand or develop child care services at the state and local levels. The States, not a well-meaning Federal bureaucracy, would make funding decisions.

That is not to say that the States would not be required to perform certain tasks. To the contrary, there are several conditions of funding which the States would have to meet. For example, a system of child abuse and criminal records checks for group-based and family-based child care must be established.

A further condition for funding is the development of standards for child care which set licensing requirements, inspection and certification procedures, staff to child ratios, and minimum competency requirements for group-based providers.

But let me be clear on this point. The States, not an ad hoc national commission, would set these standards. This is an important difference between the KIDS bill and the much publicized ABC bill.

As the chart before the Committee shows, imposing national standards upon the States would increase significantly the cost of providing, and therefore, the cost of purchasing, care.

Briefly, the chart illustrates the increase in the cost of care which would result if national standards, as provided for under the "Act for Better Child Care", were adopted for the care of five-year olds based upon New York's or the most stringent state standards.

As you can see, no state except for New York would meet the national standard. Thirty states (mostly in the South and Northeast) would experience as much as $800 per child increases in the cost of care. Families in the other states would face increased costs of $400 per child annually.

The unhappy result of the one-size-fits-all approach to child care advocated by ABC supporters would be an increase in the cost of child care services, or worse, the closing of child care centers across America.

We must then ask ourselves under the guise of ensuring quality, a goal which we all share, do we inhibit the States' ability to provide services by imposing national standards? The answer is clearly yes.

I would only add that all states have established child care standards. While these standards vary from state to state, they have been developed based upon a state's unique needs. I believe we must continue to grant states flexibility in determining the best methods to ensure quality in the child care setting.

Mr. Chairman, I believe as Congress prepares to enact some form of child care legislation, we must be willing to look objectively at the issues and make choices.

The KIDS bill offers innovative and affordable solutions to the child care problems facing America families. It answers the question: "Who will watch our children?"

Thank you, Mr. Chairman.

Enclosure.

U.S. SENATE,
Washington, DC, April 25, 1989.

Hon. LLOYD BENTSEN,
Chairman, Senate Committee on Finance,
U.S. Senate, Washington, DC, April 25, 1989.

Dear Mr. Chairman: In your absence during my child care testimony before the Committee on April 18, 1989, Senator Moynihan requested more detailed information regarding a chart and a statistic to which I referred. I am writing to provide that information for the record.

As you know, S. 5, the "Act for Better Child Care," would establish, among other things, a National Advisory Committee on Child Care Standards. This committee would be charged with the responsibility to develop national standards of care which the States would be required to follow regardless of their impact upon child care services within their boundaries.

In an effort to illustrate the negative impact the ABC bill would have upon service delivery, I prepared a chart which I displayed for the Committee. The statistics used in the development of the chart were contained within a report obtained from the U.S. Department of Labor, "Child Care, A Workforce Issue."

The chart reflects several assumptions.

First, I assumed that the National Committee would make recommendations based upon the State of New York's standards. Second, I chose to focus upon care for children five years of age and older, as the majority of children in need of child care services are in this age group. Further, to conduct my analysis, I had to select a particular threshhold—I chose thirty children.

Given an annual salary for a child care worker of $12,000 per annum, as reported by the Labor Department, and given that New York would require currently four child care workers to care for thirty five-year olds, I calculated, based on a state's present standards of care, how many additional child care workers would be needed (and the cost of hiring those individuals) to meet New York's, or in this case, the national standard.

As is common business practice, the cost of hiring the additional child care workers would in all likelihood be passed along to parents. Therefore, the salary costs of the additional workers were divided by thirty to arrive at annual increased costs of care per child under the ABC bill.

The result of this exercise compelled me to share with the Committee the enclosed chart.

As you can see, no state except for New York would meet the national standard. Thirty states (mostly in the South and Northeast) would experience as much as $800 per child increases in the cost of care. Families in the other states would face increased costs of $400 per child annually. In essence, for a family of four on a limited income, these increased costs would make child care arrangements prohibitively expensive.

I would only add that all states with the exception of one or two have established child care standards. While these standards vary from state to state, they have been developed based upon a state's unique needs. I believe we must continue to grant states flexibility in determining the best methods to ensure quality in the child care setting.

With regard to the statement I made that the ABC bill would only meet seven percent of the total child care need, this statistic was also generated from Labor Department data.

According to the Department, approximately 10.2 million children under age fourteen require supervision outside the school system and licensed care.

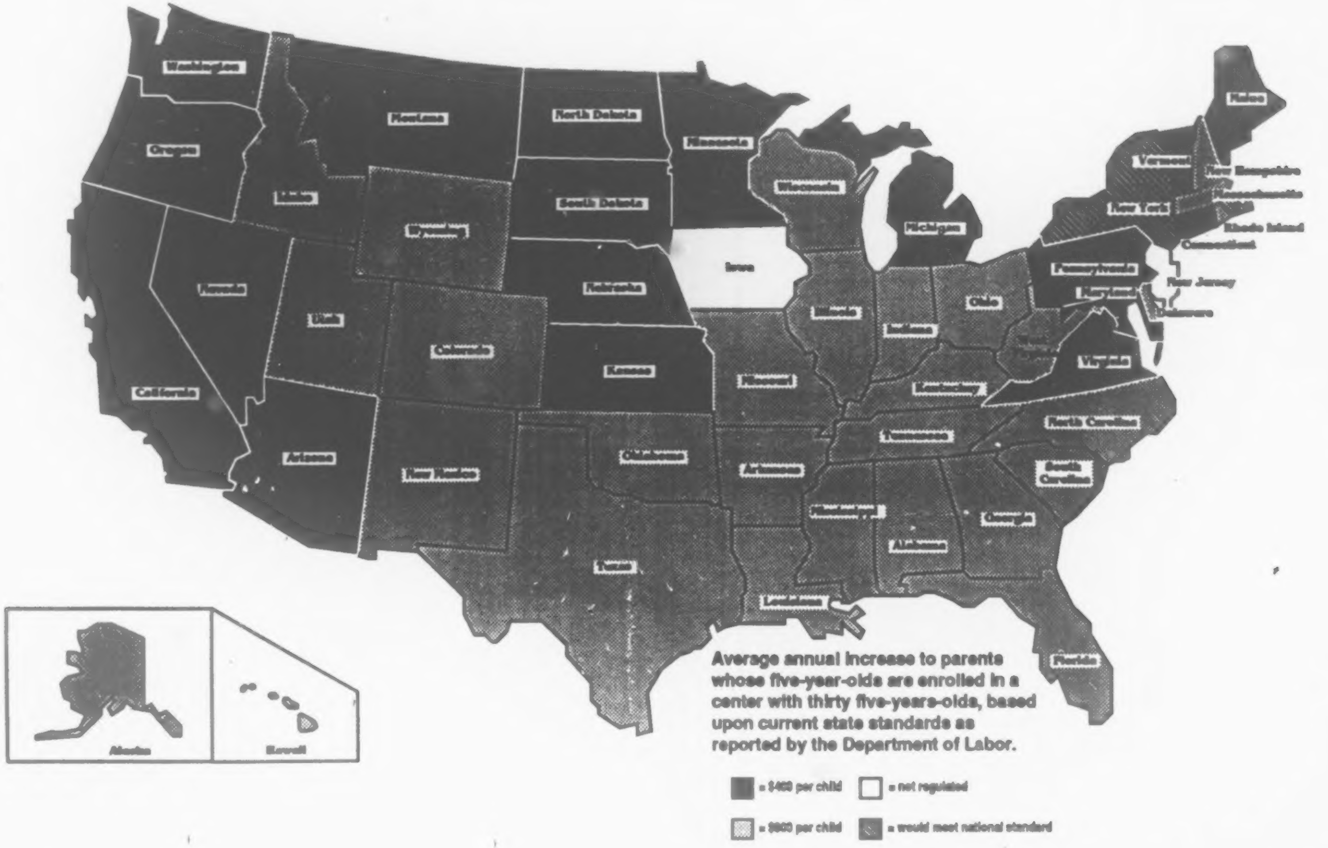
S. 5, as presently drafted, would provide about $1.75 billion for subsidized child care slots. At an average cost of $3,000 per child per year for care, about 584,000 slots would be provided under the ABC bill. This number divided by the total universe of children requiring care (10.2 million) illustrates that roughly six to seven percent of the total child care need would be met.

I hope this information is helpful to the Committee as child care legislation is considered in the weeks ahead.

Sincerely,

PETE WILSON.

Increased child care costs to parents of five-year-olds if most stringent state child/staff ratio (New York) were to be adopted by the National Committee for Child Care Standards authorized under The Act for Better Child Care


Washington
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Virginia
West Virginia
Pennsylvania
Maryland
Delaware
New Jersey
New York
Connecticut
Rhode Island
Massachusetts
New Hampshire
Vermont
Maine
Alaska
Hawaii
= $400 per child
= not regulated
= $800 per child
= would meet national standard

Average annual increase to parents whose five-year-olds are enrolled in a center with thirty five-years-olds, based upon current state standards as reported by the Department of Labor.

PREPARED STATEMENT OF CAROLINE ZINSSER

I am Caroline Zinsser, Director of Research on Early Childhood Public Policy at the Center for Public Advocacy Research in New York City. The Center is a nonprofit agency conducting research on issues concerning families, women, children and youth. I have worked on issues of child development and early childhood education for more than 25 years as a teacher, a program administrator, and a researcher. During that time we have observed remarkable changes in American families. In the early sixties we never anticipated that by 1990 more than half of mothers of young children would be in the workforce.(*1*) Those of us in the early childhood field have not changed our ideas of what is good for children. But we have had to rethink how best to apply what we know to the new American family.

Very simply stated, we need child care arrangements that satisfy parents in terms of choice, quality, and affordability and that measure up to the kind of standards we apply to any other public service for children—standards of professional excellence. I would like to focus my testimony on both the advantages and the limitations of tax credits in fulfilling these two goals.

We commend those in Congress who have proposed expanding the earned income tax credit for poor working families and have recommended that the dependent care tax credit be made refundable. These measures are most effective in putting money directly into the hands of low-income families. Making the dependent care tax credit refundable is a measure that those of us concerned with child care have long advocated. A recent study by the Urban Institute shows that the current credit is highly regressive, with only 3% going to families in the bottom 30% of the income distribution.(*2*) The measures in the Expanded Child Care Opportunities Act will largely correct this inequity. The legislation will also help the increased numbers of low-income, working families who, under the Federal Tax Reform Act, now owe no taxes. We wholeheartedly support this legislation as a way to increase the inadequate incomes of the working poor. We do not, however, view it as an adequate child care bill.

Proponents of tax credits for child care claim that the credits allow parents flexibility of choice. What is at issue is the extent to which the government should support the informal and unregulated child care arrangements, neither licensed nor registered, that comprise the largest segment of current child care arrangements. According to the latest Bureau of Census figures, 23% of preschool children of employed mothers are in day care centers or nursery school preschools. The others are with parents (24%), grandparents (16%), other relatives (8%) or with what professionals term family day care providers but what parents call babysitters (28%).(*3*)

Our studies at the Center for Public Advocacy Research have been directed for the past two years toward documenting how low- income parents make use of these informal and unregulated child care arrangements. Most child care research has been conducted in licensed day care centers, which are accessible to researchers. Informal and unregulated child care is difficult to study because it has no official status. Its providers are often "off the books" and reluctant to talk to outsiders about their work. Nevertheless, we set as our task to find out what lay behind the statistics. We wanted to know how parents, particularly low-income parents, went about finding child care for their children—whether that care was by relatives, neighbors, other babysitters, or in organized programs.

We have now completed two studies. The first was a study of 100 working mothers in entry-level jobs at Bellevue, a large municipal hospital in New York City.(*4*) This type of employment accounts for a large segment of women's industrial employment in New York City. Eighty-three percent of our sample were minority, half were single mothers, and most made less than $18,000 a year—a low income for families living in our metropolitan area. In order to reach these mothers and to explain our questionnaire, we went to the hospital week after week and interviewed mothers during their work breaks.

The second research project involved a six-month field study of one urban community interviewing low-income parents and their caregivers.(*5*) In this study we used an anthropological approach in which we did more listening than asking and elicited from low-income working parents how they viewed themselves, their children, their employment, and their child care. Both studies were directed toward parental choice. What kind of child care, we asked, do you really want for your children?

We established two important points of parent choice, both of which bear on child care funding policies. First, the low-income parents in our studies prefer child care for their infants and toddlers to be by relatives and not by strangers, and second, they prefer educational group programs for older preschool children.

The low-income working parents in our study preferred to keep the care of infants and toddlers within the extended family if possible. In some families, mothers worked schedules that coincided with school hours or took their children with them to work. In two-parent families, mothers and fathers often worked in shifts to accommodate child care. In other families, particularly single-parent families, the favorite choice for child care was the maternal grandmother.

We also found that low-income parents pay for the child care they receive from their relatives. In our Bellevue study, parents paid relatives as much for child care as they paid non-relatives. When parents have access to relative care, tax credits have the advantage of allowing parents to use funds to pay for relative care, whether by parents, grandparents, aunts, or more distant relations.

The problem is that many low-income families no longer have access to care by relatives. Women relatives, formerly available for child care, are now in the workforce themselves. Grandmothers, often only in their thirties or forties, look for employment once their own children are grown. The Family Support Act will further diminish the supply of relatives available for child care.

Residential patterns are also changing in response to America's changing economy. Young parents are forced out of established working-class neighborhoods, with their networks of family and trusted neighbors. They leave to seek more favorable employment opportunities. Or rent increases force them to move into whatever housing is affordable, no matter what its location. The urban neighborhood block where extended families lived near each other over the course of a lifetime and where older women kept an eye, often from a tenement window, on everyone else's children is fast disappearing. When it is replaced by high-rise projects, communal responsibility is reduced as families barricade themselves against violence and crime. When mothers tell us, "I can only trust my mother," it is because they distrust everyone else.

If low-income parents have no network of relatives or trusted friends available to them, their child care choices are often meager. They have good reason to fear child care by strangers. Although neighborhood babysitters can be of high quality, and many are, the only child care that low-income parents can afford is often unreliable and risky, provided by women living under the stress of poverty in disorganized households. We have been told of children in the care of neighborhood babysitters being submitted to safety hazards, harsh discipline, underfeeding, neglect, physical abuse from older children, and adult drug use. Since infants and toddlers are too young to report to their parents on what happens to them at the babysitter's, parents live in fear that they may not even know when their children are mistreated.

If parents had access to trained family day care providers, they would have the assurance that their children would be in the hands of women educated in safety, health, nutrition, and child development. If parents had access to complaint procedures, they could act to correct inadequacies. If parents had access to child care resource and referral agencies, they could find a reliable family day care provider to suit their needs. If parents had access to subsidized care, they would be able to afford the quality they seek. Only comprehensive child care legislation can address these issues. Tax credits do not.

The second point established through our research is that working parents want educational group care as children grow older. Nationally, we find that 14% of infants and 17% of one- and two-year-olds are in day care centers or nursery schools, but at age three and four the percentage almost doubles (32%).*(6)* In our Bellevue study we found no use of group care for infants, but 64% of our sample used group care for three- and four-year-olds.*(7)*

Those of us dealing with early childhood education policy are well aware of the long-term gains reported by early intervention programs such as High/Scope and Head Start.*(8)* Parents are also aware of the benefits of an early educational start. In our studies, low-income parents gave us their reasons for wanting to move their children from babysitters into organized child care programs. Most said they wanted their children to have an educational program and to learn to get along with other children.

Even parents with access to grandmothers saw advantages to moving their children into group care as they grew older. Some wanted their children to learn English when the grandmother was non- English speaking. Others felt that a grandmother was not active enough to care for an older child. Others wanted a school-readiness program that a grandmother could not provide.

These parents are asking for exactly the services that we have identified as being in the best national interest, particularly for low income children. We know that the early provision of health services, of adequate nutrition, and of programs staffed by teachers trained in child development and early childhood education can ultimately save taxpayer dollars in remedial education, correctional institutions, and public assistance and can prepare children for our future workforce. Head Start and public school pre-kindergarten programs are designed for this purpose, but they operate for half-day only. Child care programs, which cover the full working day, can be the vehicle for effective early intervention, but only if we provide adequate salaries to child care teachers, increase the supply of subsidized center-based care and adequately enforce educational standards. Providing tax credits will not accomplish this. Comprehensive child care legislation will.

When tax credits are promoted on the basis of providing parental choice, we must ask what choice there is for parents who have no access to the kind of care they want. If they must use babysitters outside of the family, do they have the choice of regulated family day care? If they seek group care, do they have have the choice of subsidized slots in licensed, high quality day care centers? Funds are only as good as the care they can buy. If the child care that parents would choose is not available, the principle of parental choice is a delusion.

Finally, I would like to comment on what our studies showed about the cost of child care. In our Bellevue study we asked our respondents (working mothers who for the most part held jobs requiring only low-level skills and no formal educational requirements) to tell us their past earnings, year by year. When we adjusted these earnings for the cost of living, we found that on average their ongoing participation in the labor force had not resulted in increasing wages. Although wage levels slowly rose, they did not keep up with the cost-of-living increase.

Caught in this squeeze, these women obviously sought the most inexpensive care available. They used informal care for children up to age three and used subsidized, licensed care for three- and four-year-olds. Even so, they paid an average of $250 per month or 14% of their earnings for the full-time care of one preschool child. If they had paid the full cost of care without subsidy in publicly-funded centers, it would have been $440 per month or 25% of their earnings. Tax credits will not be enough to give poor families substantial help in paying for child care unless their credits can be supplemented by subsidized care.

In New York City, our supply of subsidized care falls woefully short of the demand. Publicly funded full-day slots are available for approximately one in five, or 22% of the preschool children who are eligible and who need child care. Over the past three years, as the number of working mothers has increased, there has been a decline of 4% in subsidized center care and 16% in subsidized family day care.*(9)* It is obvious that poor working families need access to more subsidized child care slots in licensed family day care and in centers.

Low-cost informal and unregulated child care is no substitute for a sufficient child care system of high standards, staffed by adequately paid, trained caregivers, responsible to parents, and accessible through resource and referral agencies. We cannot rely on tax credits alone to produce an adequate child care system.

Tax credits are a necessary and efficient means of increasing the income of our poorest working parents, and we wholeheartedly support these measures. For meeting the needs of low-income parents for child care we support comprehensive child care legislation. We strongly urge this year's Congress to pass both the Expanded Child Care Opportunities Act *and* the Act for Better Child Care.

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Communications

Statement of the American Federation of Labor and Congress on Industrial Organizations

Submitted by Markley Roberts, Head, Office of Employment and Training

In connection with proposed HHS–FSA rules to implement the Job Opportunities and Basic Skills Training (JOBS) Program of Title II of the Family Support Act of 1988, (Federal Register, April 18, I wish to present the following comments and materials on behalf of the AFL–CIO. These comments focus on (1) child care, (2) labor participation, (3) anti-displacement protection, (4) grievance procedure for displacement complaints, and (5) contracting-out issues.

CHILD CARE

The lack of safe, adequate, effective child care is a major barrier to parents who want to leave the welfare rolls and get training and jobs. Unfortunately, the HHS–FSA rules undermine the guarantee in the Family Support Act that adequate child care be provided so that parents can get training and jobs. AFDC is primarily for protection of children. The proposed rules jeopardize the rights of children of JOBS participants to decent care and the rules limit the state's ability to provide such care.

To protect children by assuring adequate child care for children of JOBS participants, the AFL–CIO .recommends:

(1) Eliminate preamble language (Fed.Reg.p. 15666) which says the FSA law's guarantee of child care, the child care entitlement, may be limited by state appropriation ceilings, available support, and target group priorities.

Eliminate language (p.15666) which says a state IV–A agency is not required to treat child care benefits as an absolute entitlement.

Eliminate the limitation on the child care guarantee to children under age 13 (Sec.252.2–a). The law contains no such restriction.

Eliminate the language in Section 255.2 which suggests that there is ample free, informal, no-cost child care available and urges states to encourage casual, informal, unpaid child care. This language distorts reality and is contrary to the intent of the law.

(2) Eliminate language (Sec.255.4–a–2–iii) which says local child care rates must be based on the 75th percentile cost of child care in the local area. This is in conflict with the law which provides federal matching funds for 100 percent of the local child care rate and will seriously limit the states' ability to make child care available.

Eliminate the statement (Sec.255.4–2–f) that no federal matching is available for recruitment or training of child care providers or licensing activities.This is contrary to the intent of the law and will impede the efforts of states to initiate effective child care programs.

A key provision of the law to help welfare recipients move from welfare to work is the requirement that child care will be available for 12 months after the JOBS participant leaves the welfare rolls. This should be automatic without any intervening waiting period. Section 256.2–b–3 wrongly requires that such transitional child care is available only on application in writing after a person stops getting AFDC. This requirement is contrary to the intent of the law and discourages a smooth transition from welfare to work and should be eliminated.

LABOR PARTICIPATION

There is ample evidence from JTPA that job training and job placement programs are more effective and more successful when organized labor and employers are involved in the whole range of program activities. We believe, therefore, that opportunities for organized labor to be consulted about state JOBS plans and programs and changes in plans should be written into the HHS-FSA JOBS regulations. (Sec.250.20).

To assure regular input from organized labor, employers, community-based organizations, education agencies and other parties, we recommend that states be required to set up an on-going JOBS advisory council (with required representation of organized labor, employers, and other groups) to advise, oversee, and recommend action or changes in the state JOBS program. (Sec.250.20).

In addition to consultation and coordination with the state agency responsible for JTPA, consultation and coordination with the State Job Training Coordinating Council and with local Private Industry Councils should be required by the JOBS regulations. (Sec.250.12).

Labor organizations representing workers in occupations identified for JOBS training can be a valuable resource in design of curriculum and placement of participants. Section 250.21-f should require consultation with organized labor along with coordination with public and private agencies.

Section 250.21-n should contain more precise language to assure that occupations selected for training are in demand (rather than likely to become available). The state should be required to demonstrate that these occupations will lead to long-term employability and are not low-wage, low-skill, high-turnover jobs. Specific information on projected wage rates and increased earnings should be required in this paragraph (n).

To eliminate windfall profits for employers reimbursed for extra costs of training disadvantaged workers, we recommend that the maximum reimbursement be limited to 50 percent (rather than to an average of 50 percent) of the wages paid to a JOBS participant during the period of training. (Section 250.61).

Furthermore, to prevent revolving-door hiring and firing, the regulations should require that employers agree to hire the participant at the end of the training period and keep the trainee on the payroll for at least six months. If employers violate this agreement, they should be denied access to the program.

A comprehensive complaint procedure should be available not only at the local and state level but also to the federal level to resolve complaints of violations of JOBS law and regulations.

ANTI-DISPLACEMENT PROTECTION

Section 251.3 seriously weakens the anti-displacement requirement in Section 484 of the Family Support Act. The law contains strong and carefully worded language to protect regular paid employment and to prevent displacement by work program participants.

Exhibit I attached to this letter explains the differences between the law and the regulations and the AFL-CIO recommendations which parallel the recommendations of the American Federation of State, County, and Municipal Employees:

Apply Section 251.3-a to both currently employed workers and positions, not just those who are not subsidized by JOBS;

Correct Section 251.3-c to provide that assignments shall not result in employment or assignment of a participant or filling a position when any other individual is on layoff from the same or equivalent position from an employer, not just within the same organizational unit;

Correct Section 251.3-c to provide that assignments shall not result in employment or filling a position when the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect (as opposed to intention) of filling the vacancy so created with a participant subsidized under the program; and

Correct Section 251.3-e to reflect congressional intent that the prohibition against using participants to fill established, unfilled position vacancies was to apply to CWEP, work supplementation, and work experience.

GRIEVANCE PROCEDURE FOR DISPLACEMENT COMPLAINTS

The Family Support Act requires that states establish and maintain a grievance procedure for resolving displacement complaints but Section 251.4 provides no regulations on state grievance procedure. Exhibit 2 lays this issue out in more detail.

We urge that the regulations set minimum standards for state grievance procedures, with investigations by the Secretary of Labor if necessary, time-frames for making decisions, and appropriate remedies for displacement violations. JTPA regulations (Subpart D, Sections 629.51-54) can provide useful guidance.

CONTRACTING-OUT ISSUES

We are concerned about Section 250.13 provisions on contracting authority and about Section 250.73 provisions on matching rates and preamble language relating to the substance of these sections. The regulations should avoid creating incentives which would favor independent contractors over public agencies in providing JOBS-related services. We are pleased to see that HHS-FSA addressed this issue explicitly in the regulations. However, some problems remain.

The AFL-CIO supports the principle that public work which has traditionally been performed by public employees should continue to be performed by public employees, and that public work which has traditionally been performed by private employees should continue to be performed by private employees.

AFL-CIO affiliates represent public employees who administer AFDC and provide services under WIN and AFL-CIO affiliates have a long history of running training programs for disadvantaged workers. We want to make sure that JOBS participants get the best services possible, that existing public agencies are used to provide services where they are best suited to provide such services, and that administrative and AFDC discretionary functions should not be contracted out.

The regulations state that costs of full-time JOBS staff will be reimbursed at the higher (60 percent or more) match rate while costs of part-time JOBS staff will be reimbursed at the lower 50 percent rate. We urge elimination of this distinction to prevent discrimination in matching based on administrative procedures.

I am attaching to this letter Exhibit 3 which spells out some additional AFL-CIO concerns about the FSA-JOBS regulations. Thank you for your attention to all these comments.

The Public Employee Department of the AFL-CIO concurs with the recommendations of this letter to you from the AFL-CIO. We urge your favorable action on these recommendations.

Enclosures.

EXHIBIT 1

COMPARISON OF DISPLACEMENT LANGUAGE IN STATUTE TO LANGUAGE IN PROPOSED REGULATIONS

FAMILY SUPPORT ACT
SECTION 484

No work assignment under the program shall result in:

(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of non-overtime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

(2) the employment or assignment of a participant or the filling of a position when (A) any other individual is on layoff from the same or any equivalent position, or (B) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program; or

(3) any infringement of the promotional opportunities of any currently employed individual.

The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.

PROPOSED REGULATIONS
SECTION 251.3

The State agency shall assure that CWEP, other work experience, on-the-job training [OJT], and Work Supplementation assignments:

(a) Shall not result in the displacement of currently employed workers, including partial displacement, such as a reduction in hours of nonovertime work, wages, or employment benefits;

(b) Shall not impair existing contracts for services or collective bargaining agreements;

(c) Shall not result in the employment or assignment of a participant or the filling of a position when any other person not supported under this program is on layoff from the same or a substantially equivalent job within the same organizational unit, or when an employer has terminated any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under this program.

(d) Shall not infringe in any way upon promotional opportunities of persons currently in jobs not funded under this program; and

(e) Shall not result in the filling of any established unfilled position vacancy by a participant assigned under section 482(e) [work supplementation program] and section 462(f) [CWEP] of the Social Security Act, as amended.

Explanation of Differences Between Statue and Regulation

The regulations differ from the statute in the following ways:

The statute provides that assignments shall not result in the displacement of any currently employed worker or position. The comparable regulation only prohibits displacement of currently employed workers. (See 251.3(a)).

The statute provides that assignments shall not result in the employment or assignment of a participant or filling a position when any other individual is on layoff from the same or equivalent position. The regulation limits this prohibition to cases when any other person not supported under JOBS is on layoff from the same or a substantially equivalent job within the same organizational unit. (See 251.3(c)).

The statute provides that assignments shall not result in employment or assignment of a participant or filling a position when the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program. The regulation limits this prohibition to cases where an employer has terminated any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under this program. (See 251.3(c)).

The statute prohibits any assignment from resulting in infringement of promotion opportunities of currently employed individuals. The regulation prohibits infringing in any way on promotional opportunities of persons currently in jobs not funded under JOBS. (See 251.3(d))

AFL-CIO Recommendations

Final regulations need to be corrected to ensure that the regulatory protections reflect the full statutory protections. Specifically, Section 251(a) should apply to both currently employed workers and positions. The displacement protections should apply to all workers, not just those who are not subsidized by JOBS. Section 251(c) should be corrected to provide that assignments shall not result in employment or assignment of a participant or filling a position when any other individual is on layoff from the same or equivalent position with an employer, not just within the same organizational unit.

Section 251(c) should also be corrected to provide that assignments shall not result in employment or assignment of a participant or filling a position when the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect (as opposed to intention) of filling the vacancy so created with a participant subsidized under the program. This change is crucial to preventing displacement. Congress clearly intended to include this languages since the Conference Report expressly states: The phrase in the House bill "with the intention of" is replaced by "with the effect of."[1]

Finally, the Conference Report indicates congressional intent that the prohibition against using participants to fill established, unfilled position vacancies was to apply to CWEP, work supplementation, and work experience.[2] Section 251.3(e), limiting applicability to CWEP and work supplementation, tracks the statutory language, but HHS should correct the regulation to be consistent with legislative intent.

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[1] H.R. Rep. No. 100-998, 100th Congress, 2nd Session 136(1988).

[2] Id, at 135.

EXHIBIT 2

GRIEVANCE PROCEDURE FOR DISPLACEMENT COMPLAINTS

Under the Family Support Act, states must establish and maintain (pursuant to regulations of HHS and the Department of Labor) a grievance procedure for hearing and resolving complaints by regular employees or their representatives that an assignment violates the anti-displacement provisions. The decision of the State can be appealed to the Secretary of Labor for investigation and such action as the Secretary may find necessary.[1]

Proposed Regulations

The regulation requires states to establish and maintain a grievance procedure, but does not specify any details of the content and nature of the procedure.[2]

The regulation establishes the following procedures for appealing the decision:

The state's decision may be appealed to the Office of Administrative Law Judges, Department of Labor. The review will be on the record of the state proceedings, and will be limited to questions of law. The state's findings of fact shall be conclusive if supported by substantial evidence.[3]

Copies of the appeal must also be sent to the Department of Labor's Assistant Secretary for Employment and Training, and HHS' Assistant Secretary for Family Support. The appeal must include the provisions of the FSA or regulation believed to have been violated, a copy of the original complaint filed with the state, and a copy of the state's findings and decision.[4]

On receipt of the appeal, the Office of Administrative Law Judges will request the administrative record from the state; the state must certify and file it within 30 days, with copies to the Department of Labor's Assistant Secretary for Employment and Training, and HHS' Assistant Secretary for Family Support.[5]

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[1] Section 201(b), creating Section 482(d)(1).

[2] Section 251.4(a).

[3] Section 251.4(b).

[4] Section 251.4(d).

[5] Section 251.4(e).

On receipt of the copy of the appeal and record, the Assistant Secretary of Employment and Training will review the record, and may choose to file an amicus curiae brief or report. The state agency and Assistant Secretary may also file a report.[6]

The decision of the Office of Administrative Law Judges will be the final decision of the Secretary of Labor on the appeal.[7]

AFL-CIO Recommendations

The proposed regulation is deficient in the following ways.

First, it fails to set minimum standards for state grievance procedures. It seems wholly inappropriate for regulations to provide that review will be on the record of the state proceedings, without describing minimum due process safeguards for those proceedings.

Second, the statute provides for appeal to the Department of Labor for investigation and such other action as the Secretary of Labor finds necessary. But the regulation says there will be no investigation, and that the decision will be based on the record of the state proceedings. Congress envisioned a more active role for the Department of Labor.

Third, the regulation sets no time frames for making decisions, and does not describe what relief can be provided on a finding that the law has been violated.

Final regulations should, at a minimum, set specific time-frames and remedies. Such regulatory standards are necessary to ensure that the displacement protections in the Family Support Act can be enforced. We recommend the following:

Time Frames

1) After a complaint is filed against the employer of the individual on work assignment, the regulations must require that a hearing be held between the two parties within 30 days of filing. The hearing should be held before the state agency responsible for administering the JOBS program.

2) The regulations must require that a written decision on the grievance be made by the state agency within 60 days from the date of filing.

3) If a complainant does not receive a written decision within 60 days of filing, or receives a decision which is unsatisfactory to the complainant, then the complainant must have the right to appeal the decision to the Governor. The complainant should be given reasonable time (30 days)

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[6] Section 251.4(f).

[7] Section 251.4(g).

to file the appeal after the agency decision is made or after the 60 day limit expires.

4) The Governor must have an independent panel review the appeal and a decision must be made within 30 days.

5) If the panel has not made a decision within 30 days, or if the decision is unsatisfactory to the complainant, then a complaint can be filed with the U.S. Secretary of Labor.

In order to reduce the number of grievances that may be filed, it is important that labor and management communicate and cooperate to the extent possible on the nature and structure of particular work assignments. We strongly suggest that to facilitate cooperation and reduce grievances, the regulations require that where a collective bargaining agreement exists, the employer consult with the union on the design and content of any work assignment activities with respect to training, supervision, job descriptions, wage rates and occupations planned before such work assignments are made. Prior notification to the union about planned work assignments (with sufficient lead time - 30 days) will reduce unnecessary problems.

Remedies

If it is determined that an employer has violated the displacement provision in the Family Support Act through the use of work program participants, then the following remedies shall be instituted:

1) The employer shall fully replace any and all workers or positions displaced by work program participants, and

2) The employer shall immediately and for at least one (1) year following the finding of displacement cease and desist its use of work program participants in any and all capacities, and

3) The agency responsible for administering the work program shall be prohibited from assigning work program participants to any employer found to have violated the displacement provision for at least one (1) year following the finding of displacement.

EXHIBIT 3

SUPPLEMENTARY COMMENTS BY THE AFL-CIO
ON PROPOSED REGULATIONS
(FEDERAL REGISTER, APRIL 18, 1989)
FOR THE JOB OPPORTUNITIES AND BASIC SKILLS PROGRAM
UNDER THE FAMILY SUPPORT ACT

MAY 1989

1) **Performance Standards** (Preamble - p. 15640)

AFDC recipients have been enrolled in employment and training programs under JTPA and other institutions for many years. Performance outcomes, particularly those related to wage at placement and job retention, can be adapted from these programs for interim use by JOBS administrators. Given the JTPA experience with cost measures we recommend that HHS refrain from including any cost measures in the development of its final performance standards.

2) **Basic Literacy Level** (Preamble - p. 15642)

High wage jobs require educational levels at and beyond high school. To be consistent with long-term employability goals of the JOBS legislation, the literacy level of eighth grade should be eliminated and replaced with a level which will assure a worker access to the primary job market. States should not be encouraged to place workers in lower level jobs which do not require English proficiency.

3) **Emphasis on Short-Term Training** (Preamble - p. 15656)

JTPA has been rightfully criticized for short-term, low-cost, low-wage placements. This emphasis on short-term training is disturbing in the JOBS regulations. We urge HHS-FSA to refocus its regulations on quality training leading to long-term employability for participants.

4) **Participation** (Section 250.1)

The requirement that OJT and work supplementation placements must be full-time in order to count towards participation is an unreasonable standard which would encourage states to rely more heavily on CWEP and job search as their JOBS program components. Also it would prevent placement in OJT of mothers of children under six who are required to participate only part-time. The use of hours as the single most important measure for assessing participation will surely drive the system to seek to "fill time" for participants rather than focus on a more beneficial mix of services

which will enhance their job prospects. An overreliance on job search and CWEP activities to fill time may aid program administrators, but will do little for clients. All successful employment and training programs have a customized service mix including assessment, which is flexible based upon the participants skills and needs. We recommend that hourly participation rates not be used as the primary determinant of participation, but rather that acceptable participation be the result of an individualized employability development plan agreed to by the administrative agency and the client. The hourly participation rates are also used to undermine the requirement in the Family Support Act that volunteers be given priority of service. So, if an exempt member of target group (perhaps a single mother high school drop-out with a two year-old) volunteers for a program that operates 15 hours a week, the state could choose not to include her in the program because she won't help them meet their participation quota. The preamble in the final regulation should make clear the state's duty to serve volunteers within target groups first and to provide them with supportive services, as necessary for participation.

5) **Coordination and Consultation** (Section 250.12)

The substance of Sections 141 and 143 of the Job Training Partnership Act should be included in this section. Organized labor involvement in the design and development of JTPA programs brings higher quality training and higher wage job placements for participants. JPTA requirements that organized labor be consulted in the design of training and concur in specific workplace training activities helps assure that programs train for occupations that are in demand. In the regulations the Department indicates that it is interested in addressing the quality training issue. Organized labor participation as it is outlined in current JPTA law and regulations could, if implemented properly, provide an excellent basis for the development of successful JOBS training programs.

6) **Contracting Authority** (Section 250.13)

Adding "cost effectiveness" to the listing of factors to be used in selecting service providers could be misinterpreted by program administrators who would then select the cheapest, but not necessarily the best program deliverer. Under JTPA the Department of Labor has developed a standard which asks administrators to assess the "reasonableness" of costs in light of the program objectives. In addition to a "reasonableness" standard we would recommend HHS-FSA encourage the selection of deliverers based upon the quality of jobs developed, wages at placement and job retention guarantees.

7) **State JOBS Plan** (Section 250.20)

In order to assure maximum public review and comment we recommend that consistent with JTPA regulations appropriate labor organizations be given the opportunity to review and comment on the state plan. Training services provided under JOBS are almost identical to those provided under JTPA. Labor organizations representing workers in occupations identified for training under the JOBS plan can be a valuable resource for program administrators in the design of curriculum as well as the placement of participants.

8) **State Plan Content** (Section 250.21)

Subpart (d) should require information on the number of participants to be served in each component as well as detailed demographic and education data to assure that those most in need are targeted for service.

Subpart (f) should require consultation with organized labor along with a description of the nature of coordination with public and private agencies. This section should contained detailed information on the nature and frequency of the contact with such organizations, the primary contact person as well as a description of the monitoring and oversight activities which the state will undertake to assure program performance and compliance with law and regulations.

Subpart (g) should contain specific descriptions of the contracting procedures and the methods for payment and performance as well as the procedures for monitoring local implementation of programs, whether they are subcontracted or directly administered.

9) **Initial Assessment and Employability Plan** (Section 250.41)

The proposed regulation does not allow states to count time spent in assessing participants' skills and developing an individualized employability plan as meeting participation requirements. The effect of this will be to encourage the states to spend less than the appropriate amount of time on the most vital phase of the program. Assessment is a critical component in the development of training programs and these regulations should contain minimum standards on this tool. It is the first step in the development of a systematic and long-range plan to permanently reduce welfare dependency. Assessment tools should be geared to long-term training and higher level skills. Participants should not be denied the benefits of a comprehensive assessment and training plan in order to place them in a quick-fix CWEP or low-wage job placement.

10) **Mandatory Components** (Section 250.44)

A combination of job skills training and on-the-job training is an excellent method for assuring labor-market success. JOBS regulations should offer maximum flexibility for program administrators to combine these components. This may require changes in hourly participation requirements as noted previously.

STATEMENT OF THE AMERICAN SOCIETY OF PAYROLL MANAGEMENT

REFUNDABLE CREDITS

Before the Committee completes its evaluation of the child tax credit proposals, three practical considerations of the advance payment feature are herein offered. To the tax writer, they may seem of little consequence. But to the employer, and especially the payroll department or administrat0r1 they involve operations and cost considerations of' consequence. The credits themselves are not an issue for the employer. What is addressed here is the advance payment feature: that interest in advance payment may be low, that costs to handle them will be high, and that advance credits will be unenforceable.

1. *Advance payment may be unpopular among the eligible.* This has been the case with the Earned Income Tax Credit (EIC) under which advance payments have been possible since 1986. Only about 10,000 people signed up for advance payment during the first year.(*1*) Since then, the situation has not changed. According to a survey conducted in March 1989 among ASPM members, enrollment of eligible employees for advance payment is less than 1/100 of one percent.(*2*)

Lack of interest was evident from the start and caused community and social service groups to investigate. As early as May 1987, a study was conducted in Hartford Connecticut to identify why eligible workers were not coming forward. Lack of information about the program was not evidenced. Rather, respondents indicated that

> They don't file tax returns, and don't want to get involved
> The benefits of the tax credit are not worth having the IRS get on their case
> Many among the lower-paid workforce are employed part of a year and receive benefits during non-working months which might be reduced for a tax credit(*3*)

There are now three years of low interest in the EIC, despite programs to educate the eligible and rules that require employers to give written notice to employees who may be eligible (Notice 797). One could reasonably expect that factors other than the merits of the child tax credits would keep the level of requests for advance payment at a similarly low level.

2. *Employers' administrative costs must be weighed.* Advance payment will require modification of the automated payroll systems used by larger employers and the service bureau systems used by smaller firms. Systems changes are costly, an average of $33,000 to modify a system to accept and issue advance refunds.(*4*) Were each of the approximately 19,000 employers with 1,000 plus employees to make such an outlay, the expenditure would total $625 million, which, as a deductible business expense, would reduce federal revenue by 34% or $213 million during the start up year.

Changing an employee's pay requires documentation and careful recordkeeping. Advance payments would require new forms and paperwork. The cost to issue an advance payment could average $9.00 each.(*4*) Thus shifting administration from the government to the employer triggers real out-of-pocket program costs. Gearing up for advance credits will be easier for some firms than for others. In some cases the extra work could be critical because these employers lack resources to deal with the administrative requirements or pay for the extra costs.

3. *Enforcability would be difficult.* Many are concerned about the consequences of credits issued in advance to the ineligible. While the employer knows what it pays the employee, this does not guarantee eligibility because other sources of income could put the employee over the income limit. Who will certify eligibility? Will the IRS be able to identify the ineligible? If so, this would be after the credits had been made and recovery could be difficult. Would recovery result in a flood of tax levies to be deducted from the paycheck?

CONCLUSION

It is strongly urged that the refundable feature of the child tax credit proposals be left out of the final program for the reasons presented above.

REFERENCES

(*1*) Ways & Means Committee "Green Book", p. 793.
(*2*) ASPM Survey, March 1989. Table I.
(*3*) Professional Media Services, Inc. Study for Hartford (Conn.) District Cooperative Alliance. May, 1987. (Available from ASPM).
(*4*) ASPM Survey, March 1989. Table II.

TABLE I.—EARNED INCOME CREDIT

Active employees 1/89	W-2s sent 1/89	Notices 797 sent 1/89	Employees receiving advance payment
220,000	370,000	45,000	1
140,000	152,000	50,000	5
100,000	110,000	8	0
70,000	199,000	21,000	3
65,000	65,000	0	0
62,000	80,000	0	0
60,000	65,000	17	1
58,000	95,000	4,462	0
49,300	57,000	0	0
48,000	80,000	20,000	2
45,000	45,000	0	0
32,800	50,000	1,700	0
23,000	23,000	0	0
21,000	22,000	1,856	0
20,000	23,000	1	0
19,000	25,000	225	0
19,000	40,000	20,000	1
10,000	17,000	400	0
8,455	17,500	1,000	0
8,000	17,000	0	0
5,850	15,900	1,300	0
5,000	6,054	0	0
4,900	4,900	0	0
4,473	5,000	0	0
4,400	25,000	0	0
3,750	3,950	0	0
3,500	6,000	0	0
2,693	4,000	0	0
2,400	2,800	0	0
2,155	3,000	30	0
2,120	2,475	0	1
2,008	3,000	143	0
2,000	4,000	0	0
1,1[illegible]	3,400	1,000	0
850	2,000	0	0
600	1,200	25	0
299	318	0	1
235	300	0	0
205	275	0	0
1,127,094	1,646,072	168,166	15

TABLE II.—IMPLEMENTATION & ADMINISTRATION

Active employees	Estimated cost of employer	
	Modify payroll system	issue credit
62,000	57,600	16.00
60,000	50,000	12.00
50,000	30,000	10.00
45,000	45,000	n/a
32,000	n/a	5.00
20,000	50,000	2.00
8,455	28,000	n/a
5,580	3,500	n/a
4,900	n/a	20.00
3,750	n/a	10.00
3,500	n/a	10.00
2,120	n/a	10.00

TABLE II.—IMPLEMENTATION & ADMINISTRATION—Continued

Active employees	Estimated cost of employer	
	Modify payroll system	issue credit
600	n/a	7.50
Average	33,000	$9.35

STATEMENT OF THE BAPTIST JOINT COMMITTEE ON PUBLIC AFFAIRS

SUBMITTED BY OLIVER S. THOMAS, GENERAL COUNSEL

The Baptist Joint Committee on Public Affairs is composed of representatives from eight national cooperating Baptist conventions and conferences in the United States. They are: American Baptist Churches in the U.S.A. Baptist General Conference; National Baptist Convention of America; National Baptist Convention, U.S.A., Inc.; North American Baptist Conference; Progressive National Baptist Convention, Inc.; Seventh Day Baptist General Conference; and Southern Baptist Convention. These groups have a current membership of nearly 30 million. Because of the congregational autonomy of individual Baptist churches, however, the Baptist Joint Committee does not purport to speak for all Baptists.

Through a concerted witness in public affairs, the Baptist Joint Committee (hereinafter BJC) seeks to give corporate and visible expression to religious liberty for all people and to the separation of church and state as the institutional guarantor of that liberty. Because child care in general is not within the program assignment of the BJC, we will limit our comments to the church-state questions raised by these programs and proposals.

A. CHILD CARE WELFARE PROGRAMS

Any child care program that provides grants and contracts to churches and other pervasively sectarian institutions is constitutionally suspect. This is particularly true after the Supreme Court's 1988 decision of *Bowen* v. *Kendrick*, —— U.S. ——, 108 S.Ct. 2562. In *Kendrick*, the Court addressed a hybrid program of education and social welfare services much like child care. In fact, one of the services funded under the Adolescent Family Life Act at issue in *Kendrick* was child care. Also included were counseling, pregnancy testing, prenatal care, transportation, and other social welfare services.

The Court's opinion, written by the Chief Justice, distinguished between "pervasively sectarian" institutions (e.g., churches, synagogues, and parochial schools) and those institutions that are merely religiously affiliated (e.g., colleges, universities, community centers, and church charities) in determining whether the program as applied would be constitutionally infirm. While the religiously affiliated institutions were deemed eligible to participate on an equal basis with their nonsectarian counterparts, the Court at three separate points in the opinion indicated that pervasively sectarian institutions would be disqualified from participating.

A broad interpretation of *Kendrick* suggests that churches and other pervasively sectarian institutions are disqualified altogether from receiving federal grants and/or contracts. A more narrow interpretation suggests that it is possible for pervasively sectarian institutions to participate in such programs as long as adequate safeguards are included to prevent (1) a primary effect that advances or inhibits religion, and (2) excessive entanglement between church and state. *See Lemon* v. *Kurtman*, 403 U.S. 602 (1971). A mere prohibition against sectarian purposes and activities is an insufficient constitutional safeguard, as such a provision also was included in the Adolescent Family Life Act.

B. TAX CREDIT PROPOSALS

Unlike child care welfare programs, child care tax proposals generally do not raise significant constitutional problems. For example, few would question the legality of the dependent care credit (26 U.S.C. § 21) that is available to working parents regardless of whether the child care they purchase is sectarian or nonsectarian, family or center based. Even more secure would be the legality of a tax benefit for all parents of young children regardless of whether the parents purchase child care services.

C. CONCLUSION

If Congress wishes to assist parents whose children, by choice or necessity, will attend church child care centers, the preferred mechanism for constitutional purposes is the tax code rather than federal subsidies. Obviously, no tax benefit could, or should, be limited exclusively to parents who utilize religious providers.

STATEMENT OF HON. THOMAS J. DOWNEY, A U.S. REPRESENTATIVE FROM NEW YORK

Thank you for the chance to be here this morning to talk about child care issues.

A number of the items on our legislative agenda this year are designed—probably without a lot of forethought and from a variety of perspectives—to address one basic problem that threatens to undermine our nation: the poorest 20 percent of American families have watched their incomes decline, despite work, as right before their eyes, the wealthiest of American families grew richer. This is a fact that does not fit well with America's image of itself, its values and its sense of justice. That there are 20 million Americans who find themselves working hard but still poor has led many to ask, "What can we do to help?"

There is no quick fix to helping these families. A set of parallel lines, not a single straight one, is the most direct path we can take to helping working poor families. The nature of those parallel lines is fairly obvious. We must increase family income in ways that reward work while simultaneously reducing the costs of working. In short, we can't put all our eggs in one basket or spread our efforts so thinly that they have no effect.

A minimum wage increase is a good place to start, as both Houses of Congress have realized. We cannot expect families working full-time at a minimum wage job that pays well below the poverty line to make it, no matter where they live in this country.

The erosion of the minimum wage has happened more by neglect than by design. In the 1960s and 1970s, the minimum wage provided a wage floor that kept most families out of poverty. Today, the minimum wage is too low to support more than one person above the poverty line. Inflation has eaten up over one-quarter of the purchasing power of the minimum wage since 1981, the last time it was raised. Today, a family of four whose breadwinner works at a minimum wage job has an income of only 62 percent of the poverty threshold. That is very wrong and sends a terrible message about the value we place on the work of those earning the lowest wages in our country.

Increasing the minimum wage won't solve the whole problem, however. To help make work pay again, I advocate expanding an existing tax break for families with low incomes—the earned income tax credit. You're all familiar with the EITC so I won't bore you with a detailed explanation. Suffice it to say that the EITC is one of the most powerful anti-poverty tools at hand. We should not hesitate to use it.

I also support extending the dependent care tax credit to working poor families and increasing funding for the title XX social services block grant. The dependent care tax credit partially offsets child care expenses; however, it is currently of no use to the poorest of working Americans: those who owe no taxes. By making this credit refundable we would help low income families cope with the high cost of child care. Increasing the title XX social services block grant will give States another tool to help the neediest families with their child care expenses, further reducing the cost of work.

As a final step, we've got to significantly expand and improve our child care resources. Tax credits are great but they won't work for everyone, nor will they assure parents that their children are safely cared for while they are at work. Friends can differ about how to best deliver child care services but a recent poll by Lou Harris reaffirmed for me just how universal the child care issue is. According to the Harris poll, as the vast majority of American families with young children woke this morning, the parents had one question on their minds: "What am I going to do with my kids today?"

Again according to Harris, working families feel a terrible insecurity about their child care arrangements and have a sense that their support system is collapsing around them. Most would prefer to leave their young children with grandparents while they work; for most, however, that's not an option. They resort to a variety child care arrangements, pay huge amounts of their income for child care and—across the income spectrum—worry about the quality of what they have bought.

Money alone does not guarantee quality. These families want help from government at all levels. Our job is to give it to them in a way that spends our limited dollars sensibly, helps parents make their own choices, and keeps the government role simple and understandable.

We have a chance in the 101st Congress to really make a difference for the thousands of American families who are playing by the rules but can't make it. For them, work is done every day but poverty is a way of life. They deserve better. Let's give them a fair shot at the American dream.

STATEMENT OF JONATHAN BARRY FORMAN, ASSOCIATE PROFESSOR, COLLEGE OF LAW, UNIVERSITY OF OKLAHOMA, NORMAN, OK

Mr. Chairman: I am pleased to submit this statement for the record you are compiling on Child Care proposals. I am submitting this statement in my individual capacity as an Associate Professor of Law at the University of Oklahoma where I teach courses on tax law and research primarily on the use of tax credits to help low-income families. The purpose of this statement is to suggest a comprehensive approach for using the tax system to provide help for low-income families with children.

I. CURRENT TAX CREDIT PROPOSALS

In his Fiscal Year 1990 Budget, President George Bush recommended adoption of a system of refundable child tax credits to help low-income families with children. Basically, the Bush proposal would provide low-income families with their choice of a refundable child and dependent care credit or a new child tax credit of up to $1,000 per year for each child under age 4. On March 15, 1988, President Bush forwarded his proposal to Congress, where it has been introduced as the Working Family Child Care Assistance Act.[1]

A number of Senators and Representatives also have introduced tax proposals to help low-income families with children.[2] Like the Bush proposal, most of the Congressional bills would modestly expand the system of tax credits used by low-income families with children. President Bush and Congress are to be commended for their concern about low-income families with children. It is my hope that the Administration and Congress can work together to fashion a comprehensive approach for using the tax system to help provide for the child care and income needs of low-income families.

II. TOWARDS A COMPREHENSIVE SYSTEM OF TAX CREDITS

This section outlines two recommendations that could lead to a comprehensive system of tax credits to provide for the child care and income needs of low-income families with children.[3] First, in order to provide for the child care needs of low-income families, the current child and dependent care credit should be made refundable and greatly expanded. Second, in order to take care of the income needs of low-income families with children, a new children's allowance tax credit should be added to the Internal Revenue Code. These two recommendations are discussed in turn.

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[1] S. 601, 101st Cong. 1st Sess., 135 Cong. Rec. S2571, S2721–S2723 (Mar. 15, 1989) (Sen. Robert J. Dole, R-Kan.); H.R. 1466, 101st Cong., 1st Sess., 135 Cong. Rec. H708 (Mar. 16, 1989) (Rep. Robert H. Michel, R-Ill.).

[2] Among the proposals introduced in the 101st Congress, see e.g. H.R. 575, 101st Cong., 1st Sess., 135 Cong. Rec. H92 (daily ed. Jan. 20, 1989) (Rep. Clyde C. Holloway, R-La.); H.R. 882, 101st Cong., 1st Sess., 135 Cong. Rec. H221 (daily ed. Feb. 7, 1989) (Rep. Thomas J. Downey, D-N.Y.); H.R. 994, 101st Cong., 1st Sess., 135 Cong. Rec. H273 (daily ed. Feb. 9, 1989) (Rep. Olympia J. Snowe, R-Me.); H.R. 1104, 101st Cong., 1st Sess., 135 Cong. Rec. H382 (daily ed. Feb. 23, 1989) (Rep. Thomas E. Petri, R-Wis.); H.R. 1448, 101st Cong., 1st Sess. H651, H697 (daily ed. Mar. 151989) (Rep. Richard T. Schulze, R-Pa.); S. 159, 101st Cong., 1st Sess., 135 Cong. Rec. S171 (daily ed. Jan. 25, 1989) (Sen. Pete V. Domenici, R-N. Mex.); S. 364, 101st Cong. 1st Sess., 135 Cong. Rec. S1214 (daily ed. Feb. 7, 1989) (Sen. Albert Gore, Jr., D-Tenn.); S. 392, 101st Cong., 1st Sess., 135 Cong. Rec. S1322 (daily ed. Feb. 8, 1989) (Sen. Dan Coats, R-Ind.); S. 409, 101st Cong., 1st Sess. 135 Cong. Rec. S1413, S1443-S1448 (daily ed. Feb. 8, 1989) (Sen. Rudy Boschwitz); S. 412, 101st Cong., 1st Sess. 135 Cong. Rec. S1413, S1451–S1454 (daily ed. Feb. 8, 1989) (Sen. Bob Packwood, R-Ore.); S. 450, 101st Cong., 1st Sess., 135 Cong. Rec. $1686 (daily ed. Feb. 23, 1989) (Sen. Orrin Hatch, R-Utah); S. 492, 101st Cong., 1st Sess., 135 Cong. Rec. S1998, S2005 (daily ed. Mar. 2, 1989) (Sen. Rudy Boschwitz, R-Minn.)

[3] This statement is based on the author's forthcoming article, Forman, *Beyond President Bush's Child Tax Credit Proposal: Towards a Comprehensive System of Tax Credits to Help Low-Income Families With Children*, in Symposium on Poverty Law, 38(4) Emory Law Journal—(forthcoming 1989).

A. An expanded child and dependent care credit

The current child and dependent care credit primarily benefits moderate- and upper-income families and is of little benefit to low-income families. The principal reason why the current child and dependent care credit is of such little use to low-income families is that the credit is not refundable. Accordingly, most analysts have concluded that making the child and dependent care credit refundable would be an effective way to help provide for the child care needs of low-income families. In this regard, the Bush proposal to make the child and dependent care credit refundable is a positive step to help low-income families with their child care needs, but the Bush proposal does not go far enough.

In order to really help low-income families with their child care needs, a *refundable* child and dependent care credit must also be improved and expanded significantly. First, the amount of the child and dependent care credit should be increased, and the increased credit should be indexed for inflation. Second, the credit should be further adjusted for family size. Third, an advance payment mechanism for the credit should be adopted. Finally, the credit should be based on employment-related status, rather than on the amount of employment-related expenses. These proposed changes are discussed in turn.

1. Increase and index the amount of the credit

Despite the fact that the costs of child care have increased dramatically over time because of inflation, the maximum amounts of employment-related expenses which may be considered in computing the child and dependent care credit have not been increased since 1982 when they were fixed at $2,400 for one child and $4,800 for two or more children. Consequently, since 1982 the maximum amounts of the child and dependent care credit have also been frozen at $720 for one child and $1,440 for two or more children. To make up for erosion of the child and dependent care credit since 1982, the amounts of expenses which may be considered in computing the child and dependent care credit need to be increased. Moreover, the increased amounts should be indexed for inflation so that the value of the benefits is not eroded by future inflation.

Furthermore, the allowable percentages of employment-related child care expenses are simply inadequate to fund the child care needs of low-income families. The current child and dependent care credit percentage is phased down from 30% to 20% as the family's adjusted gross income exceeds $10,000. To significantly help low-income families with their child care expenses, the applicable percentages of employment-related child care expenses should be increased so that the credit reimburses low-income families for 50% or even 80% of their child care expenses.[4]

2. Further adjust the child and dependent credit for family size

The current child and dependent care credit provides a credit of up to $720 if there is one qualifying individual in the taxpayer's household and up to $1,440 if there are two or more qualifying individuals in the taxpayer's household. While there probably are some economies of scale with respect to child care, larger families nevertheless have greater child care needs. Accordingly, it would make sense to provide additional credits for families with more than two qualifying individuals. At the very least, the child and dependent care credit should have a third level allowing a larger credit if there are three or more qualifying individuals in the taxpayer's household.

3. Adopt an advance payment mechanism

In order to promote the welfare of poor children and their caretakers, the child and dependent care credit should be paid to eligible families throughout the year, rather than simply in a large annual lump-sum refund. Families subject to income taxation can already reduce their withholding to account for the credit, rather than simply receiving a large annual lump-sum refund. For families not subject to income taxation, a mechanism similar to the advance payment feature of the earned income credit and the direct deposit program for Social Security could be developed.[5] Such an advance payment system would help provide timely child care assistance to low-income families and so provide an important work incentive.

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[4] In any event, the current phase-down schedule for the child and dependent credit has not been increased since 1982, and, consequently, it is out of date. At the very least, the current phase-down floor and ceiling should be boosted to take into account the inflation since 1982. Moreover, to ensure that the phase-down schedule of the child and dependent care credit does not further erode over time, the increased phase-down schedule floor and ceiling should be indexed for future inflation.

4. Base the credit simply on employment-related status

Rather than requiring each family to prove the actual amount of its employment-related child and dependent care expenses, the credit should be based simply on the family members' employment-related status. The current policy of requiring detailed accounting for employment-related expenses imposes administrative burdens on both the IRS and taxpayers. Moreover, the current policy discriminates against low-income families who may secure care through informal arrangements with neighborhood babysitters. These problems could be avoided if eligibility for the credit was based simply upon the taxpayer's employment-related status. For example, if the current credit were based simply on employment-related status, each family with qualifying dependents would be allowed a credit of $13.85 ($720/52) per dependent for each week that the parents were in employment-related status.

In this regard, the credit should also be extended to single parents who are full-time students. At present, while the credit offsets the child care expenses of households in which one parent works and the other parent is a full-time student, the credit is not currently available to offset the education-related child care expenses of single parents who are full-time students. Extending the credit to single parents who are full-time students would help them continue their education.

B. A refundable children's allowance credit

While President Bush's proposed child tax credit is a step in the right direction, it does not go far enough. The credit provides income assistance only to working families with children under age 4. Instead, the tax system should be used to provide income assistance to *all* low-income families with children through a universal system of refundable children's allowance credits. These children's allowance credits should be significant in amount, indexed for inflation, and eligible recipients should be allowed to elect advance payment of these credits.

1. The need for a universal program to provide income-assistance to low-income families with children

The United States has no universal cash benefit program for all poor children. Instead, a variety of programs provide benefits to some, but not all, low-income families with children. In 1987, 32.5 million persons were in poverty, including almost 13 million children. Yet only 11 million persons were in families that received Aid to Families with Dependent Children. Similarly, in 1987, only 19.1 million poor persons participated in the food stamp program, just 58.7% of the poor population.

Unlike the United States, many industrialized nations do provide a public, universal child benefit based on the presence and number of children in a family. These benefits are modest: typically between 5 and 10 percent of average gross wages for each child. Nevertheless, such children's allowances provide important income assistance to low-income families with children.[6]

2. A modest proposal for a refundable children's allowance credit

To help the children in low-income families, I suggest that a refundable children's allowance tax credit be added to the Internal Revenue Code. Consistent with Bush's proposed child tax credit, the credit should be significant in amount, indexed for inflation, and eligible recipients should be allowed to elect advance payment of the credit. Unlike Bush's proposed child tax credit, however, the children's allowance credit should be made available to all low-income families with children.

a. *The amount of the credit.*—Consistent with Bush's proposed child tax credit the maximum refundable children's allowance credit should be $1,000 per eligible child. A family of four with two eligible children would thus receive a children's allowance credit of up to $2,000 each year. To ensure that the amount of the credit is not eroded as a result of future inflation, the credit amount should be fixed at 50 percent of the personal exemption amount. In this regard, however, the credit should be in addition to the current $2,000 personal exemption deduction with respect to eligible children, but should phase-out at relatively low incomes so that few families receive both benefits.

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[5] For example, a qualifying individual could be allowed to furnish a "child and dependent care credit advance payment certificate" to his or her employer, bank, or social service agency. Employees would then receive advance payment of the credit from their employers, while other claimants would have their payments directly deposited with their designated banks or social service agencies.

[6] The United States does provide a "universal" deduction for personal exemptions; however, the deduction for personal exemptions provides little or no benefit to taxpayers with incomes below their applicable income tax thresholds. In this regard, a personal exemption of $2,000 results in a tax savings of $560 to a taxpayer facing the 28% marginal tax rate, $300 to a taxpayer facing the 15% marginal tax rate, yet nothing at all to low-income families with children.

b. *Eligible children.*—Unlike Bush's proposed child tax credit, the definition of an eligible child for purposes of a children's allowance credit should not be limited to children under age 4. At the very least, a family should be allowed to claim a $1,000 children's allowance credit for each child in the household who is a qualifying individual within the meaning of the child and dependent care credit. That is, each family should be allowed to claim the credit with respect to each child of the taxpayer under age 13 and older children who are physically or mentally incapable of self-care.

c. *Claiming the credit.*—In general, the children's allowance credit would be claimed on an income tax return in much the same way that the personal exemption is claimed. Also, consistent with Bush's proposed child tax credit, eligible families should be all.owed to receive advance payment of their anticipated credit amounts by filing a proper form with their employer or with a bank or social service agency.

There would be few additional administrative burdens. Tax returns already ask taxpayers to identify any dependents that they claim. While neither the current IRS Form W-2, Wage and Tax Statement, nor the current earned income advanced payment certificate require much detail about children, they could be easily modified.

d. *Phasing-out the children's allowance credit.* i. *Keep the cumulative marginal tax rates low.*—To keep the costs of the children's allowance credit manageable, the credit will need to phase-out as family income increases. Consistent with Bush's proposed child tax credit, initially it might make sense to recover each $1,000 credit at adjusted gross incomes over $8,000. Unlike the Bush proposal, however, in order to keep cumulative marginal tax rates low, the phase-out rate for the children's allowance credit should never exceed 20%. That is, the $1,000 children's allowance credits should be recaptured one at a time.

ii. *Base eligibility for the credit on need.* Also, as the children's allowance credit would be similar to a welfare payment, it should be means-tested. In this regard, most welfare programs are means-tested; that is, individuals are eligible for welfare benefits only if they can demonstrate that they are needy. In order to better target the children's allowance credit to the neediest families, it might make sense to base the phase-out of the credit on something like economic income. At the very least it might make sense to base the phase-out on adjusted gross income plus the value of any child support, welfare benefits, Social Security, and private pension amounts received by the taxpayer during the year.

C. Tax credits as an alternative to welfare

An increased and refundable child and dependent care credit and a refundable children's allowance credit would provide significant child care and income assistance to low-income families with children. In order to provide additional work incentives and to make work pay, it might also make sense to increase the amount of the earned income credit for all workers. Together, a refundable child and dependent care credit, a refundable children's allowance credit, and an expanded earned income credit could form the basis for a comprehensive income transfer program for low-income families that could ultimately replace many existing welfare programs.

Of course, any system of refundable tax credits could be expensive, but needed revenues can come from a variety of sources. For example, to fund their refundable tax credit proposal, Rep. Thomas J. Downey (D-N.Y.) and Senator Albert J. Gore, Jr. (D-Tenn.) would raise some $35 billion in new revenues over the next five years by imposing a 33% marginal tax rate on all high-income taxpayers. Similarly, repealing some of the billions of dollars of tax expenditures could generate revenues that could be used to expand the system of refundable tax credits. Revenues could also be shifted to a system of refundable tax credits from other income security programs.

CONCLUSION

To help low-income families with their child care needs, the child and dependent care credit should be made refundable and expanded significantly. To help provide income assistance for all low-income families with children, a refundable children's allowance tax credit should be adopted. Together, these proposed changes would go a long way towards bringing low-income families with children out of poverty.

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